AUGUST 1988 $2.50

Be A Good Boss — And Still Get Respect

When A Tax Shelter Isn't

Making Managers Of Your Children

Nation's Business®



The Myth Of The Business Plan

You can use it to get start-up money and then ignore it. But if you do that, you miss an opportunity for sensible growth without surprises. Or, worse, your unplanned growth could drag you into financial ruin.

02685

TOYOTA TRUCKS

RAISE YOUR STANDARDS.

You deserve a truck that matches your demanding business standards. So demand the 1988 Toyota Standard Bed. It's the gold standard in compact trucks. No other truck provides the uncompromising quality and value you expect from Toyota. With a standard payload of 1640 lbs.,* a standard towing capacity of 3500 lbs.** and a powerful 103-hp engine, this truck is anything but standard. It works as hard as you do. When you add roomy, three-across seating and available automatic transmission, you've got a reliable partner with more than its share of creature comforts.

If you're looking for a truck whose standards equal yours, look for the 1988 Toyota Standard Bed. The standard of excellence.

Get More From Life... Buckle Up!



IT WORKS AS HARD AS YOU DO.



*Including occupants, equipment and cargo.
**With manual transmission, not to exceed GCWR of 6500 lbs. Also requires class II frame-mounted trailer hitch.
Shown with non-Toyota accessories.
© 1987 Toyota Motor Sales, U.S.A., Inc.

TOYOTA QUALITY

WHO COULD ASK FOR ANYTHING MORE!

Circle No. 49 on Reader Service Card

What does it take to be



Good friends, a happy and loving family, a fulfilling career, time for leisure, freedom from excessive tension and worry and exciting challenges. This is rich! Is it easy to be rich? Does it come naturally to anybody? Or do we have to work at it?

How do you get rich?

At Dale Carnegie we believe it starts with the basics. Learning to get along with people, to set goals, to manage our time, to solve problems and to control our attitudes. That is what people learn in Dale Carnegie Training®.

Through a variety of courses, we help individuals and organizations build the skills they need to succeed. We offer training in: self-development, effective communications, customer relations, sales, employee and team-work development, human relations, management and effective presentations.

Training that works.

Dale Carnegie Training works because it is always presented in an atmosphere of acceptance and encouragement. Our courses are never lectures. People learn through self-discovery, observing others, practice both in and outside of the the classroom and time-tested course materials. Our instructors take the roles of coach and guide in order to help people learn easily.

Who we are.

Helping you enrich your personal and professional life has been the total focus of Dale Carnegie Training since we began offering courses in 1912. Today Dale Carnegie Training is available all over the world. Over 150,000 individuals and over 400 of the Fortune 500 companies participated in Dale Carnegie Courses® last year.

What you can do.

For more information about how we help people become rich in the ways that count, call today for a free copy of our quick-reading booklet that outlines the objectives and benefits of each of our courses.
Toll free **800/231-5800**.
In Texas, **800/392-2424**.
Or write directly to the address below.

Dale Carnegie Training®
Suite 1288N • 6000 Dale Carnegie Drive (Pvt.)
Houston, Texas 77036

Accredited by the Accrediting Council for Continuing Education & Training, Inc., ACCET

Circle No. 1 on Reader Service Card.

VOL. 76, NO. 8

Nation's Business®

Published by the U.S. Chamber of Commerce Washington, D.C.

MANAGING YOUR BUSINESS



PHOTO: MIKE STEINBERG—BLACK STAR

16 Cover Story: Business-Plan Myths
Raising money should be the least of your reasons for writing a business plan. A concise, carefully researched plan can uncover flaws in your business concept, save time, save your company, even reshape your basic strategy, as artist Robert Mihaly discovered.

13 Whipping Up Trading Fervor
The Canada-U.S. Free Trade Agreement could foster exporting, and the Small Business Administration urges marketing abroad.

24 How To Be A Good Boss
The best bosses are decisive yet flexible, keep their doors open and always abide by the Golden Rule.

28 A Look At Apple's Mac
Apple's Macintosh Plus is still ahead in helping the computer newcomer, but its edge is eroding fast.

30 Worker Law Proves Workable—So Far
Enforcement of the new immigration law has not had a major impact on employers generally, but time will tell if business can live with it.

Cover Design: Hans A. Baum
Cover Photo: Michael Newler—The Stock Market

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1988 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. In Canada and all other foreign subscriptions, add $10 per year. In combination with the newspaper *The Business Advocate*, one year, $50; two years, $85; three years, $80. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-638-6582 (in Maryland, 1-800-352-1450).

DEPARTMENTS



PHOTO: T. MICHAEL KEZA

53 Bright Ideas
Arthur R. Tucker's Chromalux company turns out projectors that make large video images.

3 Letters

9 Entrepreneur's Notebook
A home-based photo business succeeds after its founders realized their goals were too modest.

10 Small-Business Update
10 No Slowdown Of Growth
11 Reviewing Salaries
12 Collecting Receivables

45 Direct Line

53 Making It

60 Tax File

63 Personal Management
63 To Your Health: Those Tender Tendons
64 It's Your Money: A $10,000 Proposition

65 Where I Stand

66 Classified Ads

71 Congressional Alert

72 Editorial

32 Learning What Workers Think
A professionally drafted survey of your employees' attitudes about the company may point to problems, causes and cures.

42 The Roof Is Off Tax Shelters
The IRS is disallowing every tax-shelter deduction in sight, but anyone thinking of fighting back should consider whether a disputed shelter has met the courts' criteria.

46 Does Wellness Really Work?
Company-sponsored wellness programs may make employees feel better, but do they reduce medical costs?

49 Business, Family-Style
This family-business roundup reflects on success, recommends outside experience for a firm's next generation, remembers the "other CEO."

57 A Room At The Inn
Bed-and-breakfast inns increasingly appeal to business people as antidotes to the stress of travel.

69 A Greek With A Word For It
The word is "better"—keep doing better and you'll wind up best, says John Psarouthakis, CEO of J.P. Industries.

COMMENTARY

Letters

Successfully Timed

Karen Berney's article "If At First You Do Succeed" [June] was perfectly timed for our situation and has helped us to keep our focus.

The strategy of "controlled diversification" has been a part of our business plan since our company's early success. Berney's observations and insights confirm and strengthen our philosophy about future growth and remind us of the possible pitfalls at a time of success.

Our company, GWA Information Systems, Inc., was founded in 1984 and focused on the delivery of technical services to Digital Equipment computer users.

We decided early that our business would need to diversify into a group of closely related products and services if we were to expand. We identified areas that dovetailed with our experience and would meet the needs of our existing client base. We have focused on each of these areas, one at a time, and expanded our staff to satisfy increasing demands, while continuing to provide our previous services.



Your article has helped us to appreciate the merits of our original business strategy and has highlighted the need for restraint when examining our recent success.

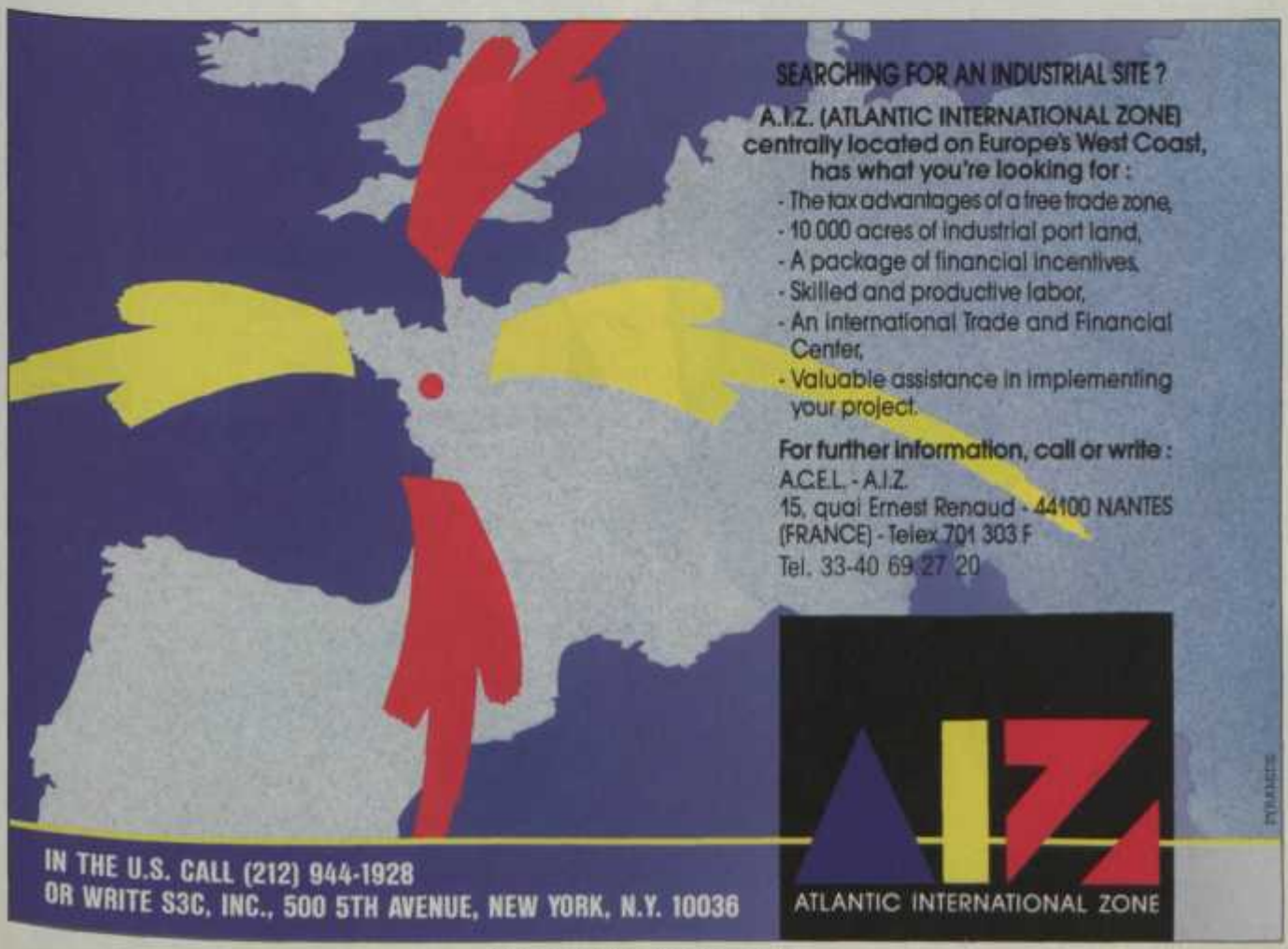
George A. Merrill, Jr.
Waltham, Mass.

Quality Introduction

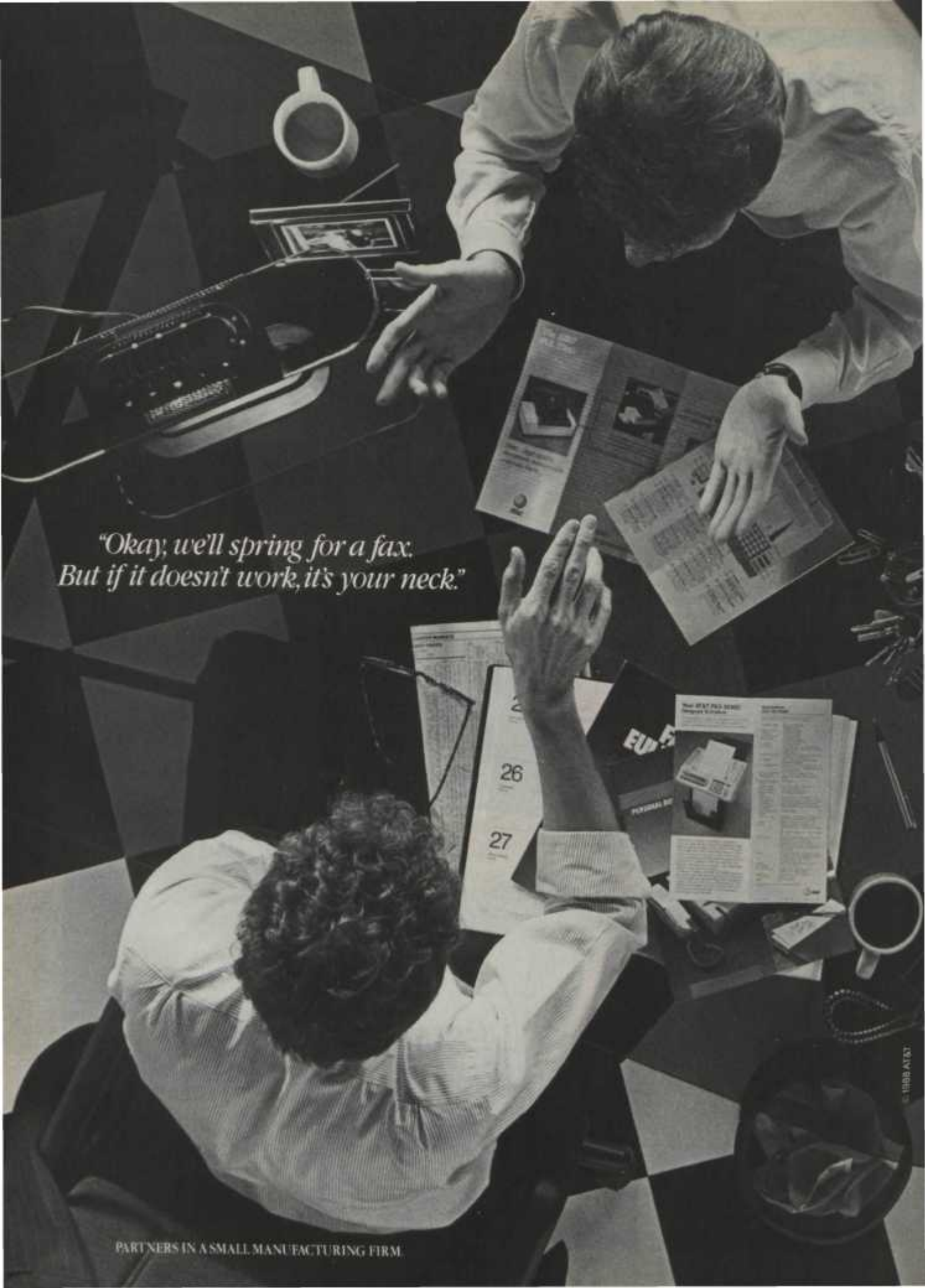
Since your article "Quality Works" [June] mentions only two of the three American "gurus" who brought modern quality technology to Japan in the '50s, I thought I would introduce you to the third: Armand Feigenbaum.

Feigenbaum originated Total Quality Control, and his firm, General Systems Company, Inc., designs and implements TQC systems in major corporations throughout the world. He was the first to define quality costs, a contribution

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*



Circle No. 90 on Reader Service Card.



PARTNERS IN A SMALL MANUFACTURING FIRM.

You've made your point. You need a fax machine. But now it's D-Day—time to write the check. And you're looking for a sure thing.

AT&T offers a full line of fax machines backed by over 100 years of communications experience. And every AT&T fax meets our highest standards of performance and reliability. There's no better and faster way to send or receive documents, drawings, letters or photos.


The AT&T 3500D

The AT&T 3500D is a great first fax machine. It's compact and equipped for high-quality, fast-image communications.


The AT&T 3510D

Designed for heavy usage, the AT&T 3510D is the highly reliable workhorse. It transmits clear, crisp copies with push-button ease.

Equipped with quick dial, auto redial and send later features, the AT&T 3520D can improve office time and cost management. It's the versatile fax designed for more sophisticated usage.


The AT&T 3520D


The AT&T 3530D

The AT&T 3530D is ideal for sharing information among many locations. Its advanced store and forward technology and programmable features help to reduce costs and increase productivity.

An AT&T fax is a critical link in your communications lifeline. So go for the sure thing. To learn which machine is right for your growing business, call your local AT&T Representative now at **1 800 247-7000, Ext. 622.**

Selected products available at AT&T Phone Centers.

AT&T
The right choice.

Letters

that made it possible to quantify and control those costs.
Leon Jacobson
New York

The True Picture

Congratulations on your article "The Great American Dream Machine: Crank Cautiously" [June]. Too many articles trumpet franchising as the wave of the future and the easy way to riches without also advising potential franchisors of the complexities of franchising and the hard work required to create a successful franchise operation.

As a lawyer specializing in franchising, I see numerous potential franchisors with a simple formula: Franchising equals fast, easy money. Often these potential franchisors have no proven prototype, no management, no capital and no business plan. They are then disappointed to learn that it is not as simple as they have read in some publication.

Franchising is no different from any other business. It takes hard work, planning, time and adequate financing to succeed.
Joseph E. Guimera
Hermosa Beach, Calif.

Rehiring Controllers Doesn't Fly

You are to be commended for raising the issue of rehiring air-traffic controllers fired by President Reagan during an illegal 1981 strike ["Where I Stand," June].

These controllers knew strikes were illegal when they applied for their jobs. Their actions before the strike included deliberate traffic slowdowns, and they fomented dissension in the control centers and between control centers and the cockpits.

Their refusal to obey the law endangered public safety and greatly inconvenienced the flying public for years thereafter.

The last thing aviation needs is for any of these malcontents to return to the nation's air-traffic control centers.

Aviation's safety record in 1987 was as good as it has been for many years. In March there were 15,250 air-traffic controllers on the job, only 855 fewer than before the strike; and more trained controllers are being added to the system every month.

One has to wonder, then, what motivated the Democrats in the House of Representatives to pass a bill requiring the FAA to rehire at least 1,000 former air-traffic controllers. Maybe the answer is the dependence of these congressmen on the vast campaign funds extracted from dues-paying members and donated to them by union bosses.

It is hoped that the Senate will bury this legislation. If not, I think we can count on the President to veto the rehire bill. To do otherwise would certainly send the wrong message to other government unions possibly contemplating an illegal strike.
Howard D. Walrath
Plano, Tex.

A Vote For The Veto

President Reagan has at long last vetoed the trade bill. It only took a matter of hours before the House of Representatives overrode the veto with a resounding vote. It is not hard to see that every one of these legislators is running for re-election this year. *[Editor's note: The Senate later voted to sustain the President's veto.]*

A lot of publicity has been published that portrays the President as an ogre who has no feelings for the poor individuals who will lose their jobs due to plant closings.

This is like attacking motherhood. Reagan was motivated to veto the trade bill because of the pork barrel in the bill that is offensive to anyone who takes the trouble to read it.

The plant-closing provision is a major reason for the veto.

Most union contracts already have a clause that deals in a general way with any liquidation of the business, and that clause is negotiated over the bargaining table, as are many other issues that are involved.

I would hate to think that the politicians will try to scare the public into a financial debacle just to win an election. Right now that appears to be their major motivation—win the election at any cost.
Sidney Dichter
Millville, N.J.

The Best Policy

I read with interest your article regarding integrity and honesty in business, which appeared in the April, 1988, issue



Circle No. 2 on Reader Service Card.

MOST OF WHAT WE HAD TO SAY ABOUT BUSINESS THIS MORNING WAS UNPRINTABLE.



NATION'S BUSINESS TODAY® ON ESPN® WITH THE LATE-BREAKING STORIES THAT MORNING PAPERS JUST CAN'T COVER, WE GIVE YOU A COMPETITIVE EDGE.

The business world is still up after most newspapers have been put to bed. So a lot of what happens overnight catches them napping. And if you're not careful, it might catch you too.

Which is why you should wake up with "Nation's Business Today" on ESPN.

Starting every weekday at 6:30 AM (ET), "Nation's Business Today" brings you two hours of up-to-the-minute business news. Broadcast live from the nation's capital.

We cover all the latest financial and economic developments across America and around the world. In a consistent feature format that makes it easy to find the information most critical to your own business.



We also provide interviews with today's business leaders. Special reports on small business, technology, international trade, investment opportunities and the movers and shakers on Capitol Hill. And even weather forecasts for business travelers.

With their own unique blend of insight and analysis, our anchors will give you an insider's perspective on where the business world is heading. Carl Grant is an award-winning anchorman and investigative reporter as well as a nationally renowned business and government expert. Meryl Comer is an Emmy Award-winning producer and journalist. Together, they bring more than 40 years of solid business news expertise to ESPN. But it should come as no surprise that a network so acclaimed for covering tough competitors at play would be equally good at covering them at work.

Daily News Schedule

(All Times Eastern)	1st ½ hr	2nd ½ hr	3rd ½ hr	4th ½ hr
Top Business News	6:30	7:00	7:30	8:00
Financial News	6:35	7:05	7:35	8:05
Small Business News	6:40	7:10	7:40	8:10
Special Business Features	6:50		7:50	
CEO Close-Ups		7:15		8:15
Internat'l Business Line		7:25		

"Nation's Business Today" on ESPN. Just listen to what our experts have to say about the day's business. And hear the kinds of things that the morning papers find unprintable.

ESPN
THE TOTAL SPORTS NETWORK®

© 1988 ESPN, Inc.

BUSINESS OWNERS:
GET PAID OVERNIGHT.
We buy your INVOICES when you BILL
No Minimum
Cash in a Flash
1-800-421-0034 (212) 689-8500 (NY)
ACCESS CAPITAL, INC.
Circle No. 97 on Reader Service Card.



New Management Tool!
Executive ScanCard® System...a unique control center for all your projects. Used by executives in over 450 of the Fortune 500 companies. Puts an end to missed deadlines, forgotten assignments and costly last-minute rushes. Lets you monitor up to 64 activities on individual ScanCard project cards. Expands to 224 cards. Handsome, leather-like vinyl or genuine leather. Includes 500 ScanCards. Your name on cover free. 30-day satisfaction guarantee.
Item #P32 Leather-like vinyl ... $39.95 ($4.75 s&h)
Item #P45 Genuine leather ... $89.95 ($4.75 s&h)
Order Toll-Free: 800-848-2618
Or Mail Order To:
Executive ScanCard® Systems, Dept. 155
380 Dublin Avenue, Columbus, Ohio 43215
Indicate quantity ___ Black ___ Brown ___ Burgundy
color & material ☐ Vinyl ☐ Genuine Leather
☐ CHECK ☐ MC ☐ AM EX ☐ VISA ☐ DINERS CLUB
Card No. ___
Exp. Date ___ Signature ___
Name ___
Address ___
City ___ State ___
ZIP ___ Phone () ___
☐ PLEASE SEND FREE CATALOG
Circle No. 35 on Reader Service Card.

COMMENTARY

Letters

of *Reader's Digest* ["Finding the Ethical Edge," August, 1987].

You will be glad to know that at least one graduate business school, the Rochester Institute of Technology, is teaching that integrity is appropriate.

I strongly urge you to continue with your "education" of the nation's businessmen in this area. As a middle-aged staffer who was once fired because he refused to compromise his integrity, I am personally very interested in this topic. Upon completion of my M.B.A. degree, I hope to teach.

Having "hard" evidence of the economic benefits of high integrity from highly respected business publications (e.g., *Nation's Business*) will go a long way toward convincing students to adjust their thinking and attitudes in this critical area of business operation.

Thanks.

Joseph D. Godsey, Jr.
Lima, N.Y.

Making Your Dough Rise

I enjoyed Ray Brady's April "It's Your Money" column, but as a financial planner I would suggest there are a number of steps people could take to decide where to put their money. Brady's comments seem too narrowly focused on financial assets, namely the stock market.

In a transitional economy, which I believe we are in, it would be wise to consider some tangible assets in a portfolio, such as real estate, both residential and investment; natural resources as well as companies that specialize in them; oil and gas programs; and collectibles.

Also, I would suggest there is a step-by-step procedure one can follow both to balance a portfolio between tangible and financial assets and to allocate assets according to their dominant characteristics, such as safety of principal, safety of income, growth and aggressive growth.

By further categorizing assets as to liquid or illiquid, interest-sensitive or not, inflation-sensitive or not, taxable or nontaxable and long-term or short-term, one can begin to build a matrix to select investments. All this is what we call financial planning for accumulating wealth.

No, we are not yet turning to fortune cookies. Good, careful planning can still make your dough rise.

William F. Sprague
CIGNA Individual
Financial Services Company
Fort Wright, Ky.

Nation's Business

The United States Chamber of Commerce, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
William S. Kanaga
PRESIDENT
Dr. Richard L. Lesher
GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Rose

EDITOR
Robert T. Gray
DEPUTY EDITOR
Ripley Hotch
SENIOR EDITORS
Sharon Nelson, Karen Berney, Joan C. Szabo, Roger Thompson, Albert G. Holzinger, Terence F. Shea, Michael Barrier, Janet Lowenstein
ASSISTANT EDITOR
Nancy Croft Baker
CONTRIBUTING EDITORS
Henry Altman, Del Marth, Gerald W. Padwe, William Heffer, Linda M. Eanes, Steven Golob, Julie Candler, Harry Bacas
PRODUCTION EDITOR
Melinda W. Nahmias
ASSISTANT PRODUCTION EDITOR
Jeffrey W. Bartlett

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Richard C. Freund
SENIOR ARTISTS
Mary I. Czarnik, Angela Reed Breese, Thomas E. Sooreck
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer

PRODUCTION
Harry N. Miller, director
Seretha Armstrong, associate director

U.S. ADVERTISING
Robert H. Gotshall, marketing director
(313) 354-1180
W. Brett Perrine, advertising director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Pete McCutchen
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (313) 354-1180
Richard Topous
Los Angeles (213) 651-1466
Cathy Adler
New York (212) 370-1440
Raymond Murray, Jerry V. Camporino, Arthur V. Irwin, Jr., Joseph Addaci, Neil Hanlon
San Francisco (415) 421-7430
Hugh Reynolds

CLASSIFIED ADVERTISING
(202) 463-5640
Jonathan Shonerd, manager

INTERNATIONAL MARKETING
(202) 463-5716
El Mutaz Soubol, director
Gabriele Klika, Peter Dunn, Bijan Sepasy, managers

CIRCULATION
Elizabeth A. Allen, director
Lucy Oliver, manager

PROMOTION AND RESEARCH
Janine Grossman, director
Pamela W. Lambert, research manager
Regina Sokas, promotion manager
Gabrielle Fardwell, promotion coordinator

BUSINESS MANAGER
Leonard I. Rippa

ENTREPRENEUR'S NOTEBOOK

Sharpen Your Focus And Aim High

By Nancy A. Peters

Too much caution can be a fatal mistake in business. My husband and I learned this the hard way when we opened a photo-processing lab to print high-quality photos for people whose needs weren't met by the one-hour minilabs.

Our goal was small. We hoped our specialized lab, named Norman Peters, after my husband, would supplement my husband's pension and my salary from part-time work as director of a play school. We would work out of our home in Hendersonville, N.C., so overhead would be low and the profit margin high. My husband, a former photography teacher, would do the lab work, and I would handle the books. All we had to do was find the customers—probably photographers who needed custom work and did not have their own labs.

Several seminars at the small-business center of the local technical college reinforced what we had thought: You can't get customers without advertising. So, our first step was to place ads in a national photographers' magazine. Every day we checked the mailbox, and every day we were disappointed. No one responded.

Perhaps something was wrong with our ad. We had written it hurriedly to meet the magazine's deadline. We tried again, and had another disappointing month.

Heeding the warning that regular advertising was the only way to stay in business, we took money from our dwindling savings account for a series of ads in the local weekly shoppers' guide. Finally, during the third week, the phone began to ring.

But the customers who called didn't give us the business we had expected. With each customer we spent an hour or so explaining our processing lab and giving hints on processing and taking pictures. We often had repeat business, but the customers asked repeatedly for the same thing—one print at a time for $8.95.

We were busier, but we weren't making money. In fact, we were losing plenty—more than $500 a month.

After several months in business we were forced to admit that it was less expensive *not* to be in business than to be in it this way. At the same time, we were reluctant to lose our investment in supplies, darkroom and work areas.

Then, after four months as entrepreneurs, we had the kind of luck that every small, struggling business needs. In January, we had a call from the owner of a small firm that sells novelty items.

She had seen our ad for custom work and wanted help. Her husband had been doing the promotional photography that she placed in catalogs, and the prints were out of focus. Could we help?

Well, we could, but not by printing her husband's photos. Norman told her that those pictures wouldn't give her the look she wanted. He offered to do the photography himself.

Norman's first job taking pictures for our company showed our client's daughter wearing various custom-designed sweatshirts. The customer was extremely pleased and placed a large order for prints to send to magazines for their new-product columns.

After struggling as film processors, we finally had enough volume to show a monthly profit—about $25—all from this one customer's repeat business. We then realized that we had gone into the wrong end of the photography business.

Later, when we photographed numerous bridal items for this same client, my husband saw another business opportunity for us. We became printers' representatives. Using our contacts in the photography business, we arranged high-quality printing of our client's catalog sheets at a fraction of the cost she had been paying. In that one day as a photography firm and printers' representative, we earned more than we had ever made in several weeks taking numerous small orders for photo processing.

It took us several months of frustration to discover the kind of business and market that worked best for us. We had assumed the competition for professional photography would be greater than for film processing. We thought we would do better going after a high-turnaround, small market instead of after large accounts. But we learned—the hard way—the more lucrative part of the photography business is taking pictures, not processing them. Add to that the commissions on print orders for brochures, catalog sheets and postcards, and we have a lot more income than from the expensive darkroom.



PHOTO: NORMAN J. PETERS

Our instincts were for quality work, and those were not wrong. What was wrong was our fear that we could not handle commercial accounts because we thought they were too big for us.

We also discovered that satisfied customers were our best form of advertising. True, the ads we had placed got us our first local customers, and we are still advertising, but with a difference. We now target our ads toward larger accounts. A few references from ads lead to much more business by word of mouth as long as we provide quality work at reasonable prices.

Our business could have gone under if we had been unwilling to see where the market was: in photography for large accounts. Our instincts were for quality work, and those were not wrong. What was wrong was our fear that we could not handle commercial accounts because we thought they were too big for us. But we can do quality work on a larger scale, and only that larger scale has enabled us to turn what is now a respectable monthly profit. NB

Readers are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

Small-Business Update

By Joan C. Szabo

No Slowdown Of Growth

The nation's economy is expected to continue its record-breaking growth well into the months ahead, says Richard Rahn, vice president and chief economist for the U.S. Chamber of Commerce. "There are no limits to the duration of economic expansion as long as markets remain open and government remains limited to its properly assigned tasks," he says.

Rahn looks for growth of about 3 percent for the rest of the year. He notes that the economy has achieved a comfortable plateau of steady growth with low inflation. He expects the Consumer Price Index to increase about 3.9 percent for the year, only slightly higher than the 3.7 percent rate registered in 1987.

And although the drought this year has stunted crops in many regions and is causing some reductions in agricultural output, any resulting increases in food prices, Rahn says, will not add more than about one-tenth of a percentage point to the CPI for 1988.

An economic plus is manufacturing productivity, which is showing impressive gains, says Rahn. It has grown at an average annual rate of 4.5 percent, about twice the post-World War II average.

When productivity increases, so does workers' real income. Real personal disposable income rose 3.2 percent during the first quarter of 1988, while civilian employment increased 2.6 percent—or about 728,000 jobs.

"The record demonstrates that far from consuming our seed corn over the past 6½ years, we have been husbanding resources well and stand prepared to reap the harvest of our investment in higher output, which benefits all Americans," Rahn says.

Improvements also have been realized in the federal deficit. As recently as 1985, the deficit was over 5 percent of gross national product. This year, it will be about 3 percent of GNP.

Nevertheless, Rahn notes that "too much government spending and intervention in free markets" could threaten the outlook. To keep such storm clouds from developing, he recommends "reducing government regulations and mandates, and refraining from imposing new ones."

On the deficit front, he says that slowing the growth in government spending to less than the growth in inflation, as was done in fiscal year 1987, would help eliminate the red ink.

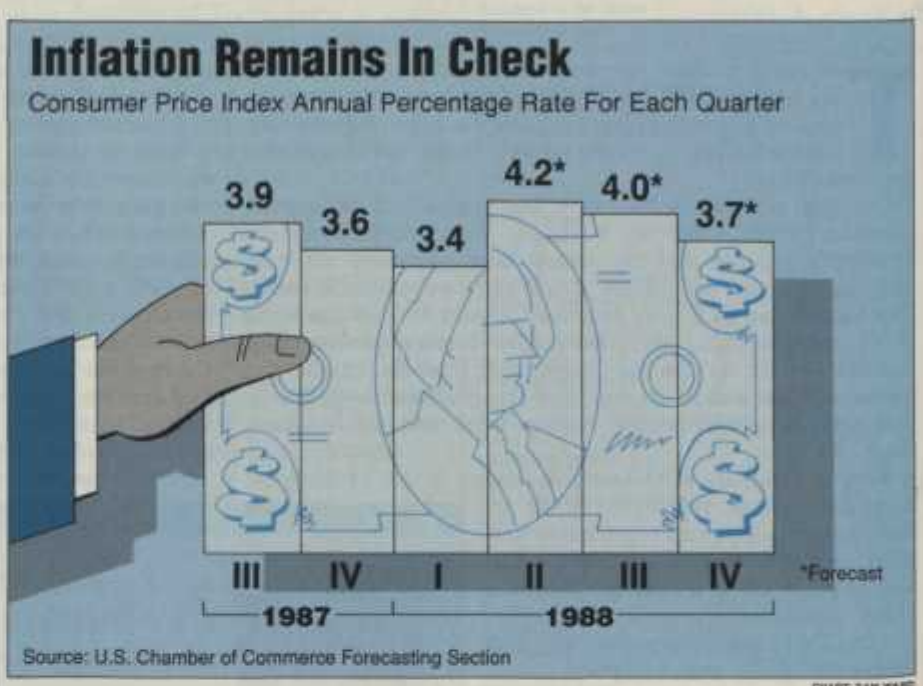


CHART: SAM WARD

Your Buyer Could Be An LBO Fund

If you are thinking of selling your company, you should know that there is a new type of buyer active in the acquisition market. It is the leveraged-buy-out fund.

An LBO fund is usually a limited-partnership investment fund. It holds a pool of capital assembled from institutional investors to acquire companies. With an LBO fund, a portion of the purchase price is financed with borrowings supported by the assets and cash flow of the company being acquired.

There is now a great deal of LBO fund money available for the acquisition of companies, says John E. Hempstead, president of Hempstead & Company, a Haddonfield, N.J., consulting firm specializing in mergers, acquisitions and corporate valuations.

"Attractive acquisition candidates are finding themselves in a seller's market, with several suitors competing for the hand of each available company," he says.

If you decide to think about selling your company to an LBO fund, Hempstead suggests that you:

- Consider proposals from more than one prospective bidder.
- Carefully select a limited number of qualified LBO funds and provide them with the kinds of information that will enable them to evaluate quickly the suitability of your company as an investment in their portfolio.
- Make every effort to know and size up the buyers as people.
- Consider using an intermediary to help orchestrate the process. The intermediary advises sellers on pricing and terms, assists in selecting the right potential buyers and helps finalize the whole deal.

Small Firms Use Incentives

Small and midsized manufacturing companies are not behind the eight ball when it comes to formal incentive plans to motivate management-level employees. That is the conclusion of a new study of annual and long-term incentive practices by smaller manufacturing companies. Conducted by Hewitt Associates, an employee-benefits consulting firm in Lincolnshire, Ill., the survey re-

Forecasting economic growth, surveying incentive plans, reviewing salaries, collecting receivables and exploring child care.

veals that a majority of the smaller industrial companies contacted have formal incentive plans in place.

The study's results are based on data from 164 industrial companies nationwide with annual sales between $50 million and $500 million.

The survey found that short-term plans are more prevalent than longer term incentive award opportunities. Of the surveyed companies, 79 percent maintain annual incentive/bonus plans. Just over half, or 54 percent, provide incentive awards based on performance over a longer period.

The lowest salaries eligible for participation in short-term incentive plans averaged $40,500. Among the companies in the survey, 62 percent use "target awards." Under this approach, companies identify a target amount, usually stated as a percentage of salary, that is paid out if the executive achieves planned levels of performance.

About 94 percent of short-term incentive amounts are paid in cash, and 6 percent are paid in cash and stock or in some other form.

The survey found that stock options are the most prevalent type of long-term incentive plan. Incentive stock options and/or nonqualified stock options are provided by 80 percent of the surveyed companies with long-term plans.

Among companies with stock options, 77 percent impose restrictions, typically requiring a waiting period of one year or longer before options may be exercised.

Tips On Reviewing Salaries

What factors should you consider when deciding on salary increases for employees? A small-business counseling firm, General Business Services of Germantown, Md., has come up with a list of key elements to keep in mind concerning annual increases. Among the factors:

Company profits and budgets. Salaries are fixed costs.

Seniority. Long-term loyal employees contribute in more than the obvious ways.

Amount of increase. Two small salary increases per year have a more positive effect than one bigger increase and are less painful to your cash flow.



PHOTO: T. MICHAEL KEZA

The day-care center that Earl Hess set up at his laboratory in Lancaster, Pa., has shown that the private sector can take the lead in addressing child-care issues.

Business conditions. If you keep your employees aware of the financial condition of your business, they may be less demanding when times are tight.

Noncash increases. You might offer noncash raises instead of or in addition to more typical raises. Some examples include time off, extra holidays, help with tuition, and more flexible hours.

Confidentiality and fairness. Make sure salary information is private. But also make sure salaries reflect contributions to the business. An unfair salary range—for example, when two people get very different pay for no apparent reason—is a major source of employee anger. It also can present legal problems.

Looking At Child Care

Congress should examine closely the possible effects that various child-care bills would have on small firms, a number of witnesses told the House Small Business Subcommittee on Exports, Tourism, and Special Problems.

The panel recently looked into child-care issues related to small business, and it explored federal policy options on the subject. At least 60 bills for federal funding of child-care services have been introduced in this Congress, and more than 100 bills deal with the subject in various ways. Many of those who testified agreed that child care presents problems, but they could not agree on solutions.

According to the Virginia state Commission on Employers' Initiatives for Child Care, proprietors of small businesses often are not familiar with child-care options, and they are generally unaware of the large impact of child-care benefits on business productivity.

Studies have shown consistently that voluntary child-care programs help attract, retain and cultivate more productive workers, as well as decrease absenteeism and increase employee morale.

A recent SBA study, "Small Business Options in Child Care," found that while small businesses have not participated in employer-supported child-care programs as extensively as larger firms have, successful steps have been taken.

Earl H. Hess, founder and president of Lancaster Laboratories, Inc., in Lancaster, Pa., is one of the growing number of employers who have set up child-care facilities that proved successful for the employer as well as the employees. His program, established without

government support, demonstrates that the private sector can take the lead in addressing child-care problems.

Speaking on behalf of the U.S. Chamber of Commerce, Hess said the Chamber is exploring options that will enable it to become a "positive participant in the evolution of America's response to the needs of employees in balancing work/family responsibilities."

While appropriate responses to the needs of the work force will vary from company to company, the Chamber contends that employers should consider voluntary private-sector options such as consortia programing, part-time or home-based work, flexible leave policies and benefit plans, child-care or sick-child vouchers, and information and referral services on local programs.

"Today no company goes into business without computers," says Steven Lehane, director of child-care services at the University of Maine. "Tomorrow no company will go into business without child care."

Collecting Receivables

Collection experts estimate that 5 to 10 percent of a company's receivables are likely to be 90 days or more past due. For small firms in particular, slow pays can be a tremendous drain on cash flow.

Experts recommend that you take the following steps to help manage your receivables:

- Be sure invoices are sent out in a timely fashion. Try to mail them with the shipment or soon after.
- If you don't already have one, establish a credit policy that sets requirements for extending credit.
- Require credit customers to complete a comprehensive credit application.
- Explain your credit terms. If your firm's terms are net 30 days, be sure the customer knows that you expect payment within 30 days after invoicing.
- Institute a written policy on how to deal with collections so that employees know when to contact a late account for payment.
- Don't let unpaid accounts age beyond 90 days without contacting a collection agency.

Keep in mind that there are low-cost alternatives to the traditional collection agency. You may negotiate a fixed fee for the collection service, instead of a percentage of the unpaid account.

Lou Bishop, president of Parson-Bishop National Collections, Inc., of Cincinnati, says, "We are able to service clients for as little as $4 per account to a maximum of $150—regardless of the size of the balance collected."

Quoteworthy

"We're seeing a shift toward the home, with consumers spending their free time ... on movie rentals, compact discs, VCRs ... This creates a fertile environment for the growth of in-home electronic shopping: Consumers will be able to access a full range of stores and services from the comfort of their homes."
—Stuart C. MacIntire, president, Telaction Corporation.

"It is the goal of good advertising to add the aura of a diamond to whatever it is you wish to market ... In the 1950s, the Volkswagen was just a $900 ugly German car when Bill Bernbach decided to call it the Beetle and endear it to the American public. Rice Krispies was just another cereal from Battle Creek until Snap, Crackle and Pop made it part of America's breakfast. And diet colas remained marginal until my agency told people that they could drink Diet Coke just for the taste of it."
—William V. Weithas, chairman and CEO, Lintas: Worldwide.

Congress Considers Financial Reform

Financial-reform legislation is starting to make some headway in Congress. The Senate recently passed S. 1886, the Financial Reform Act of 1988, and the House is expected to consider its own measure. But despite the progress, there may be insufficient time remaining for final passage during this session of Congress.

The Senate bill would allow banks and securities-underwriting firms to have common ownership. In addition, commercial banks would be allowed to underwrite and deal in securities products, and separate securities subsidiaries within bank holding companies would be required to ensure safety and soundness of the banking operations.

The U.S. Chamber of Commerce recently endorsed the legislation as a first step toward restructuring the basic legal framework governing financial institutions.

"The Chamber recognizes that the bill is not the first choice of most people at this point," says William MacReynolds, director, financial and monetary affairs, for the U.S. Chamber. But, he notes, "given the available alternatives, it is the only kind of reform that stands a chance of being enacted this year." NB



A useful publication for business people is the 1988 edition of *Analysis of Workers' Compensation Laws.* Published by the U.S. Chamber of Commerce, the publication tracks the workers' compensation laws of the 50 states, the District of Columbia, Guam and Puerto Rico.

Sixteen detailed charts are presented to aid employers, employees, insurance firms, agents, brokers, attorneys, physicians and others in locating specific provisions of workers' compensation laws.

Order publication #0061 from the U.S. Chamber, 1615 H Street, N.W., Washington, D.C. 20062. Or call toll free: 1-800-638-6582; in Maryland: 1-800-352-1450. The cost is $15 for members and $25 for nonmembers.

Practical advice on how to avoid the pitfalls of investment fraud is in a new book titled *Investor Alert! How to Protect Your Money.* Written by the Council of Better Business Bureaus and the North American Securities Administrators Association, the book has chapters on investing in commodities and futures; financial planning; precious-metals investing; speculating in land, oil and gas deals; penny stocks; pyramids; and Ponzis.

The pocket-size paperback sells for $4.95 in bookstores, or it can be ordered, with an additional charge for postage, through the Council of Better Business Bureaus, 1515 Wilson Boulevard, Arlington, Va. 22209; (703) 276-0100.

Whipping Up Trading Fervor

Root for the Canada-U.S. Free Trade Agreement, and expand your markets beyond U.S. boundaries.

By Albert G. Holzinger

For all their cultural and historical differences, when it comes to international trade, the Canadian provinces of Ontario and Quebec have much in common. For example:

- Because of limited domestic markets, their large numbers of manufacturing and high-technology companies must import and export aggressively.
- Their location across the St. Lawrence Seaway and the Great Lakes from the U.S. industrial heartland puts them among the United States' largest trading partners.

But these two influential provinces differ substantially on the question of whether the Canadian Parliament should approve the Canada-U.S. Free Trade Agreement (CFTA) signed early this year by Prime Minister Brian Mulroney and President Reagan.

That conflict is significant to overall U.S.-Canada trade because the two provinces represent the differences among Canadians generally on whether the treaty will bring the promised economic benefits or make their country even more dependent on their giant neighbor.

The way the treaty dispute is resolved will have a profound impact on the thousands of small and midsized businesses on both sides of the border that, in effect, will operate in a North American free-trade zone.

The provinces of Ontario and Quebec already have close economic ties with the United States.

Ontarians buy more U.S. goods and services than do the people of Japan or any other nation. Like the U.S. economy to which it is closely tied because of these purchases and transborder investments, Ontario's economy has been growing for nearly six years. Employment in the province grew more than 150,000 last year, and its unemployment rate declined a full percentage point, to 6.7 percent. You might expect the Ontario government to be heavily promoting the CFTA. But it is not.

Quebecers have both cultural and economic differences with their Ontarian neighbors, though Quebec's economy is also closely tied to the United States'. Quebecers are fiercely proud of their French heritage—more than 85 percent of them speak French exclusively—and about a decade ago came close to establishing their own sovereign nation. Though the Quebec unemployment rate is about 9 percent, the province is rich in natural resources. You would expect this province to be leery about having its people and resources becoming "Americanized" under the free-trade agreement. But it is not.



PHOTO: DENIS CYR—CANAPRESS

Robert Bourassa, premier of Quebec, seeks acclaim in Parliament for the Canada-U.S. Free Trade Agreement, which would increase trade between these nations.

Why have the two provinces adopted opposing positions on the treaty?

In an interview with *Nation's Business*, Ontario Premier David Peterson blasted the agreement as a "bad deal" for his country. Canadian officials promised the public that Americans would make concessions in areas such as U.S. military procurement, he said, and these concessions never materialized. He charged his federal government with accepting the CFTA "out of fear of being whacked" by protectionists in the U.S. Congress.

If the Canadian Parliament approves the pact, Peterson said, he'll seek to have it overturned by the courts on the ground that it unconstitutionally usurps provincial powers.

But after questioning Peterson and his deputy ministers about their specific objections to the pact, it becomes apparent that what concerns them most isn't equity or federal-provincial power but the preservation of their culture. Ontarians, inhabitants of Toronto in particular, are fearful of becoming a "51st state," Peterson admits.

Ironically, during the interview in his Toronto office, Peterson, sporting a Florida tan, wore typical U.S. business attire—including a button-down shirt, striped tie and black loafers. In contrast, his counterpart in Quebec, Robert Bourassa, looking more European than American in a tweed suit, foulard tie and capped-toe shoes, scoffed at the notion of being overrun by U.S. culture. Bourassa said that approving the CFTA would be "just common sense. It will strengthen the economies of both countries, and it will improve vital relations with the United States."

The premiers' verbal sparring parallels House of Commons debate of CFTA implementing legislation introduced recently by Prime Minister Mulroney's Progressive Conservative government. His party dominates that body, and the legislation almost surely will gain approval there this summer. But it may face tougher going in the Canadian Senate, which is controlled by the opposition Liberals, who have threatened a filibuster of the treaty.

In the U.S. Congress, the House Ways and Means and the Senate Finance committees have completed hearings on implementing language drafted by the Reagan administration. Problems are being voiced about some provisions, but U.S. Trade Representative Clayton Yeutter is "confident" they can be worked out. The measure is being considered under a special "fast-track" procedure, ensuring an up-or-down vote in the full House and Senate this fall with no amendments permitted.

If both the U.S. and Canadian legislatures approve their implementing measures before the deadline of Jan. 1, 1989, trade between the two nations, already totaling about $150 billion a year, would be liberalized significantly.

Under the CFTA, all U.S. and Canadian tariffs would be curtailed by Jan. 1, 1999. The pact also would knock down nontariff barriers such as import licenses; allow unrestricted trade in

Whipping Up Trading Fervor

Ontario Premier David Peterson opposes the free-trade agreement on grounds that it would make Canada a "51st state."



about 150 service sectors, including insurance and telecommunications; and eliminate almost all restrictions on financial services and investments.

Experts of both nations say the agreement's most significant provision would empower five-member bilateral panels to arbitrate claims of unfair trade practices and other disputes. "The United States has never ceded such power before," Bourassa says.

Estimates vary widely of the CFTA's potential impact over 10 years on U.S. and Canadian gross national products, export volumes and unemployment rates. No matter, says Richard Lipsey of the C.D. Howe Institute, one of Canada's leading think tanks. "The most important 'gain' [accruing from the CFTA] will be agreeing on all the nasty things we can no longer do to each other."

And most of the "nasty things"—subtly discriminating against one another's goods and services, for example, and erecting paperwork and other customs barriers at the U.S.-Canadian border—fall hardest upon small-business owners just beginning to import or export.

SBA Gospel: Export, Export

Small business, the world is your market.

The Small Business Administration is preaching that sermon to entrepreneurs at 10 meetings across America.

The event in New York, attended by more than 500 small-business owners, featured a variety of speakers and workshop leaders—some of them evangelists of exporting, others pinstripe-suited business-school teachers.

Small Business Administrator James Abdnor opened the meeting with an anecdote about his first election to the U.S. House of Representatives, in 1972.

Upon arrival at the Capitol from his home state of South Dakota, Abdnor called on Gerald R. Ford, then the House Republican leader, for advice on finding staff members savvy about Washington's arcane ways. Ford counseled Abdnor to hire people he trusted from back home, assuring him they would do as well as the experts. Abdnor followed this advice, and, he said, the staff did well and so did he: Abdnor was re-elected to the House four times and then was elected to the Senate.

Said Abdnor: "If you're questioning your ability to play in the big leagues of exporting, my advice to you is assign people with whom you're comfortable [to your trade team], and they'll do just as well as the so-called experts."

For the two-day meeting's $100 price of admission, attendees could choose from workshops such as identifying world markets, and the legal and tax considerations of trade. They also received *An Exporter's Guide to Federal Resources for Small Business.* This new, 112-page book summarizes all federal export-assistance programs and gives contacts' names and phone numbers.

Remaining meetings are in Denver, September 8-9; Boston, September 15-16; and Houston, September 22-23. For registration information, call 800-368-5855. NB

THIS SPACE IS TOO SMALL TO TELL YOU HOW WE CAN HELP EXPAND YOUR BUSINESS, SO CALL 1-800-FINANCE.

CHRYSLER FIRST
Business Credit Corporation

Real estate secured financing. Brokers are protected.



NOW YOUR OVERNIGHT LETTERS FLY FOR LESS.

JUST $8.75.

Express Mail® service has always been a great value. And now that we've introduced our new overnight letter rate, you can fly with the eagle for less than ever before.

For just $8.75, you can send up to eight ounces throughout the U.S. overnight.

Thanks to our overnight reliability, now you get guaranteed* before-noon delivery between all major markets.

And the convenience of 26,000 Express Mail post offices plus 13,500 Express Mail boxes. And all 265,000 of our letter carriers, who are happy to take your letters and packages anytime.

So come soar with the eagle.



EXPRESS MAIL

When we say overnight, we mean overnight.

*Full postage refund if delivery is not attempted by noon. Some restrictions apply. Check with your local post office for details. © USPS 1988

Circle No. 37 on Reader Service Card.

Business Plans: Myth And Reality

By Roger Thompson

Quick. Which of the following statements about business plans are true?

- The primary reason for writing a business plan is to raise money.
- Capital is more important than people.
- Having too little start-up money is worse than having too much.
- A well-thought-out plan may result in not launching the business at all.

Stumped? The answer may surprise you. Only one of the statements is true—the last one. A realistic business plan might save you from yourself by persuading you to abandon a bad idea while your mistakes are still on paper.

The first three statements reflect conventional thinking about the relationship between business plans and money. It goes something like this: Money solves problems; business plans raise money; therefore the reason you write a business plan is to raise money. It takes a bit of unconventional thinking to figure out where this line of reasoning goes wrong.

A few words from Leo A. Weiss of Alexandria, Va., a retired entrepreneur and chairman of The Venture Clinic, a forum for critiquing business plans, will point you in the right direction. Says Weiss: "We read that the main cause of business failure is lack of financing. That's a lot of bull. The principal cause is lack of energy and drive."

"It's the creativity, the brain power that will keep a business afloat," echoes Harvey Mackler, senior vice president of United Jersey Bank/Central, in Somerset, N.J., and a member of the American Bankers Association's Small Business Banking Committee.

The message here is simple. A business plan that succeeds in raising money isn't a guarantee that the business itself will succeed. In fact, raising money should not be the first or even the primary mission of a written plan. Fixation on money is a trap that snares many an entrepreneur.

"When I speak on business plans, raising money is the last thing I talk about," says Eric Siegel, a business-development consultant in Paoli, Pa., who also is a lecturer at the Wharton School of the University of Pennsylvania, in Philadelphia. "The worst thing you can do is raise money and fail. First and foremost, writing a business plan is a chance to flesh out ideas, to look for weak spots and vulnerabilities."

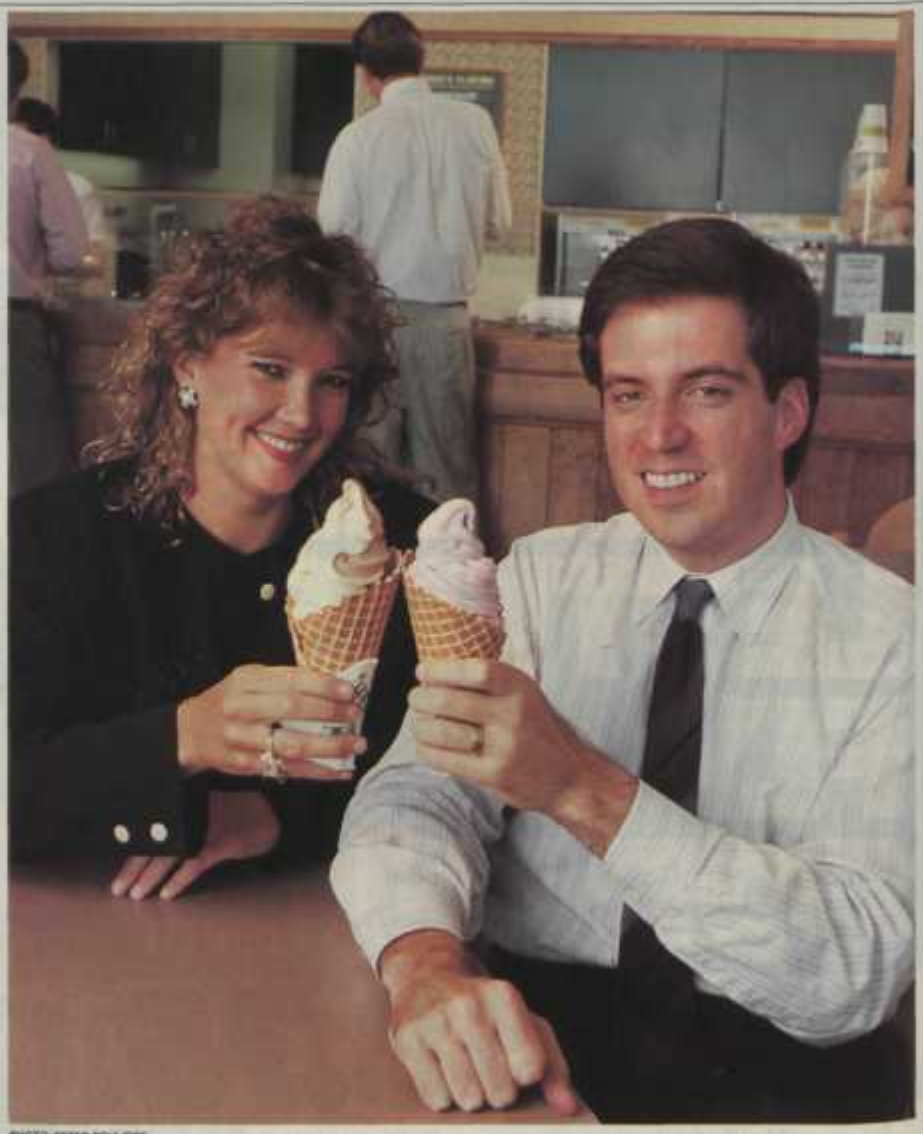


PHOTO: PETER POULIDES

Julie and Bill Brice started I Can't Believe It's Yogurt 10 years ago with $10,000 and no business plan. Now they have more than 120 franchises and take planning very seriously.

A major weak spot for many entrepreneurs is failure to understand the role that associates and employees play in business success. Money definitely is not more important than the people who make up the business, says Peter

The myth is that business plans are good only for raising money. The reality is that they do much more. They can save time, prevent mistakes and even save your company.





PHOTO: T. MICHAEL KEZA

Robert Mazzucchelli, left, and Steve Roberts plan to build Pinnacle Promotions into a major promoter of products—such as joggers' foot powder—that sponsor athletic events.

B. Lester, president of his own executive-recruiting firm in Columbia, Md. "If you examine the investors' graveyard, it is not a lack of capital that causes a new business to fail. It's the failure to get the right people with the right skills and attitudes with a common commitment to getting the job done," says Lester.

As for money supply, too much can be a bigger problem than too little, says Paul Hawken, who cofounded Smith & Hawken, a successful mail-order business selling garden tools, and was host of a recent public broadcasting series on small business.

Hawken writes in his book, *Growing a Business*: "A ready supply of too much money in start-ups tends to replace creativity. Companies with money buy solutions by buying consultants, lawyers, clever accountants, publicity agents, marketing studies and on and on. Companies without money dream and imagine. Hunger speeds things right along."

It should be clear by now that if you are going to buck conventional wisdom about business plans, you have to put money at the bottom of the list of benefits you expect to get from writing one.

Start with this assumption: The discipline of writing a plan is more valuable than the money it raises.

Discipline starts with articulating just what sort of business you want to be in. "I guess the biggest problem we see is that the dream of business ownership is often not grounded in reality at all," says Susan M. Garber, director of the Pennsylvania Small Business Development Centers. "People come in [to the development centers] and say they want to start a business, and they really have no idea what they want to do."

Even people who already are in business sometimes have a hard time describing what they do, says David Tippetts, vice president of the Jefferson Institute, which runs an entrepreneurs' boot camp in Springville, Utah. For $1,495, the institute offers a one-week crash course in business planning for owners and would-be owners alike. Participants spend the first day defining their businesses. Each person stands before the class and describes his business or idea for a business.

"It's amazing what a tortuous exercise this can be," says Tippetts. "It's hard for them to distill their ideas. We very rarely have someone who can stand up and say in one sentence, this is my business. They usually ramble on for five minutes, and still many people don't know what business they are in."

Having the concept down pat doesn't mean you'll succeed. "We have done a study of what it is that causes business

Attorney Bill Schildt checks blueprints for the prototype of a new kind of fast-food restaurant he envisioned almost three years ago. He wants to serve real meals-to-go to people too busy to cook. Schildt spent months doing his own market research before writing a business plan.



PHOTO: T. MICHAEL KEZA

failure, and it's not because the owner couldn't make pizzas or clean carpets or whatever," says Leo G. Lauzen, chairman of Comprehensive Accounting Corporation, which has more than 330 independent franchises nationwide. "The problem is he didn't know how to run a business." Lauzen says that "only one in a hundred, at best, has a reasonable business plan." But 80 percent of the business failures his firm handles could be avoided with proper planning.

"To take the step of starting a business without thinking it through is a big mistake," says Garber. That's a common problem, judging from the failure rate of new small firms. Relatively few last five years.

For most entrepreneurs, the major obstacle to committing ideas to paper is time. Owners are an impatient lot, says Bernard H. Tenenbaum, associate director of the Snider Entrepreneurial Center at the Wharton School. "They want to get on with building the business; they don't have time to write a business plan." This is especially true for entrepreneurs who don't have to raise money from investors or bankers.

Bill and Julie Brice of Dallas didn't

Business Plans By The Book

Business Plans That Win $$$, by Stanley R. Rich and David E. Gumpert, Perennial Library, $8.95. Rich and Gumpert base their advice on the experience of entrepreneurs who have presented their business plans for critique by the MIT Enterprise Forum. Rich founded the forum 10 years ago in Cambridge, Mass., and since then it has been duplicated in a dozen cities nationwide. Gumpert is a business writer. (For more information about the forum, call 617-253-8240.)

How to Write a Successful Business Plan, by Julie K. Brooks and Barry A. Stevens, AMACOM, American Management Association, $17.95. Brooks and Stevens use their experiences running a California management-consulting firm to present step-by-step instructions for researching, organizing and writing a business plan. Case studies reveal typical pitfalls for first-time plan writers. They emphasize that a good business plan is more than a vehicle for raising money from investors.



PHOTO: MARY E. WARD

Here are five of the many business plan books you may choose from.

How to Write a Winning Business Plan, by Joseph R. Mancuso, Prentice Hall Press, $12.95. Mancuso is founder and director of the Center for Entrepreneurial Management, Inc., in New York. His book aims to instruct the business plan writer in how to prepare a document that rates an 11 on a scale of 10.

Growing a Business, by Paul Hawken, Simon and Schuster, $16.95. Hawken founded Erewhon Trading Company, the nation's largest distributor of natural foods, and cofounded Smith & Hawken, a major distributor of mail-order garden tools. In his book Hawken challenges conventional thinking about start-ups and stresses the human qualities behind small-business success. He argues that imagination is more important than money in business success. This book is inspirational for anyone who wants to bootstrap a business.

The Arthur Young Business Plan Guide, by Eric Siegel, Loren Schultz, Brian Ford and David Carney; John Wiley & Sons; $22.95. The authors bring their diverse entrepreneurial and consulting backgrounds to this guide, which is designed to improve your chances of winning financing for your new venture.



'Twas the height of the Christmas season when not Santa, but a small plane, dropped in on a gift shop one evening. Injuring over 200 toy soldiers, teddy bears and such. And leaving behind a mess that made re-opening soon look bleak.

But not to Allstate, who thanks to good planning, had gift shop owner Nete Hseih back in business within 24 hours.

With no losses in income. No losses in inventory. And except for her deductible, no losses whatsoever.

But that's to be expected with an Allstate CUSTOMIZER® Policy. A plan so well-tailored to your specific business insurance needs, it almost anticipates them. Which means less downtime and fewer losses. Even lost income can be replaced.

So call and ask about the Allstate CUSTOMIZER Policy. Another reason—You're In Good Hands With Allstate.®

A member of the Sears Financial Network

Allstate
You're in good hands.

Allstate Insurance Company, Northbrook, IL.

Business Plans: Myth And Reality

Paul M. Jones resigned as president of his own successful computer consulting company, Atlanta Group Systems, Inc., after attending a week-long business planning "boot camp." He hired a marketing expert to take charge, and business has tripled over the past year.

stop to write a business plan 10 years ago when, as college students, the brother-and-sister team used $10,000 of their own money to buy two faltering frozen-yogurt stores. "Our only plan was to try to figure out how not to lose $100 a day," says Bill. "We didn't have to convince anybody to lend us money. We used our own."

"We just winged it" in the beginning, Julie Brice recalls. "When you are in school, you think you are invincible." But winging it soon grew too complicated for the Brices as they expanded their business to four stores within the first year.

The quickening pace of business led Julie to sign up for an entrepreneurship course at nearby Southern Methodist University. She emerged at the end of the semester with a business plan. Since then, planning has been an ongoing process that has served the Brices well. Today they preside over a nationwide franchise network of more than 120 I Can't Believe It's Yogurt stores.

In hindsight, Julie thinks some early mistakes might have been avoided if careful planning had begun earlier. "If I had to start over again, I definitely would do a business plan to take a look at all the opportunities, the positives and the negatives," she says. "Sometimes the negatives outweigh the positives, but you go with your gut feeling anyway."

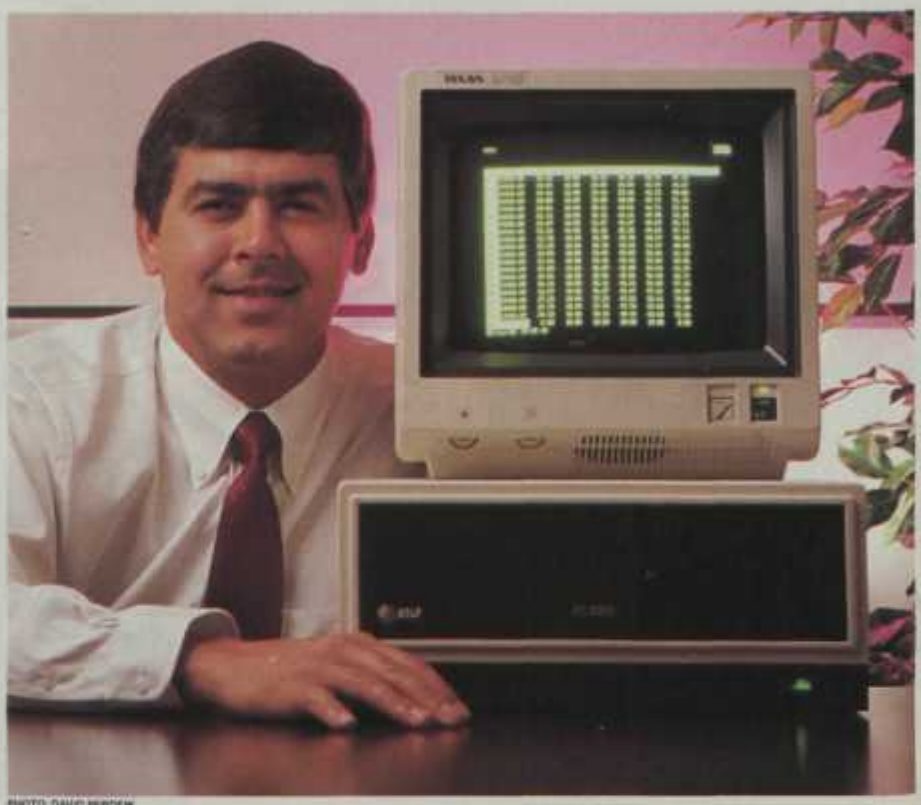


PHOTO: DAVID PERDEW

Like the Brices, Robert Mazzucchelli and Steve Roberts launched Pinnacle Promotions, based in Alexandria, Va., without a written plan. But they didn't wait as long to write one. "The plan evolved in the first two to three months of the business," says Mazzucchelli. Pinnacle promotes products manufactured by companies that sponsor sporting events, such as tennis and distance running. "We started a year ago without a dime, but we had plenty of energy and ideas. We refined the business concept as we went along." Writing the plan helped to clarify the company's goals. Says Mazzucchelli: "You take a goal more seriously if you write it down."

Unlike the Brices and Mazzucchelli, a lot of small-business owners never write a proper plan, says Lauzen of Comprehensive Accounting. Typically, mom-and-pop business owners will agree that they need a plan to help chart the next four or five years. But they are too busy to write one. Or they are intimidated by what they figure is a formidable process not meant for them anyway. After all, most how-to books on business plans coach cash-hungry start-ups in the art of writing plans of 40 to 60 pages designed to pry money from tightfisted venture capitalists.

That kind of plan, says Lauzen, is irrelevant to the typical small business, which grosses less than $300,000 a year and employs fewer than 10 people. "Ninety-two percent of businesses remain small," says Lauzen. "They don't grow into a size that needs a 60-page plan. What they need is a five-page plan" with specific goals. The goal that is most likely to motivate an owner to write a plan, says Lauzen, is getting a better deal at the bank.

"The better the business plan, the more the banker will rely on an owner's ability to repay a loan from cash flow,"

What's In A Business Plan?

Business plans vary in length and complexity depending upon the size and financial needs of your company. Whatever the size, follow this basic outline:

Executive Summary: An exciting and believable snapshot of the problem, the market and the solution. Be candid about the risks and emphasize rewards.

General Company Description: What type of company do you propose—manufacturing, retail, service or professional? Where will you locate? What are your goals?

Products And Services: What products or services are you offering, and how would they differ from those that currently can be found on the market?

Marketing Plan: How do you know that your product is in demand, and how will you develop a competitive edge? How will you handle sales and advertising?

Management Plan: Who will run the company, and how will they be compensated? What is the firm's organizational structure?

Operational Plan: What raw materials do you need and where will you get them? What are your manufacturing and labor requirements?

Financial Plan: What are your money needs, and how will they be met: debt or equity? What is your break-even point?

Appendices: Resumes of key managers, product information, market research and technical reports.

Consultant Raymond O. Loen, at home in Lake Oswego, Ore., has seen a lot of business plans go to waste because owners didn't know how to use them to chart the future.

Get Full Value From Your Plan

A business plan doesn't belong on the shelf collecting dust. But that's where a lot of plans end up once they have been used to attract the dollars needed to start or expand a business.

Why spend all that time writing a plan and never get full value from it, says Raymond O. Loen, who has a consulting firm in Lake Oswego, Ore.

Loen has spent 30 years helping owners and managers figure out how to make their companies successful. During that period, he has seen a lot of business plans go to waste. Here is his list of the 10 most common ways that executives go wrong in using their plans, plus his antidote for each.

Single-Purpose Use

Management typically prepares a business plan to secure financing and demonstrates little regard for how to implement the plan. Broad generalities take the place of operational details.

Stress implementation. Write in specific objectives for key managers and describe how those objectives will be attained. Emphasis on implementation will enhance your chances for financing by showing that your plan is for real.

One-Person Commitment

When one person, such as the company president or the chief financial officer, writes the plan, key managers may not develop a full commitment to it. Although they contribute suggestions, it's not the same as having a section of the plan that they personally must write and implement.

Obtain balanced participation from all members of the management team. Have each prepare a section of the plan. If you want to put some muscle into it, link each manager's compensation or incentive performance pay to the successful implementation of his or her part of the plan.

Benign Neglect

The business plan is left on the shelf, with the assumption that its real value was in the preparation. No matter how much you participated in writing the plan, commitment dissipates over time when the plan isn't reviewed. Out of sight, out of mind.

Beat neglect by making follow-up



PHOTO: RICK RAPPAPORT—BLACK STAR

planning easy, rather than something painful you feel compelled to postpone. Schedule regular meetings to discuss only the plan, nothing else. Divide planning into two phases. First, set corporate and individual department goals without regard to financial considerations. Write one-sentence strategies for each. Then go back and fill in the figures and write a finished product. The updated plan can be completed in less than three days of meetings.

Unworkable Document

Executives find they have a bulky, hard-to-use document that discourages its use.

Make the plan workable by distilling its goals to one-page action summaries for each department. Display the information in bar charts for easy presentation at planning meetings. Each month, managers should exchange copies of their bar charts to show progress made on their parts of the business plan.

Unbalanced Application

Sometimes a disproportionate amount of attention is given to one part of the plan, such as marketing or the balance sheet. Or too much attention is devoted to long-range events to the detriment of the short-range goals.

To combat this, be sure to get balanced participation from all key managers. And 90 percent of all management action should be concerned with the next 12 months.

Disillusionment

Executives tend to get disillusioned when they find that reality doesn't match business-plan projections. One reason for this is that they don't plan for the unexpected.

Plan for contingencies, both positive and negative. For example, consider the impact of inflation on sales volume or profit margins. What opportunities will arise if a major competitor drops out? This type of planning will help produce a thoughtful response rather than a seat-of-the-pants reaction.

Too Action-Oriented

Action-oriented managers may contribute to a plan, but after it is finished they tend to forget about it. They want to get back to the "real world" of business.

Take advantage of this action orientation by having managers plan for their individual areas of responsibility, not for the corporation. Force them to confront real problems that they must solve.

No Performance Standard

Most executives can't tell you precisely how well they have implemented their business plan. But if a plan is to have any meaning, there ought to be a way to measure its progress.

Give each manager an objective measurable in dollars. In areas where it is difficult to measure productivity gains, this approach can be used by assigning a dollar value to a particular project. For a typical executive, seek a productivity gain equal to two to five times base salary.

Poor Progress Control

Implementation is difficult to track because progress reports get lost in the jumble of other meeting agenda items.

The key to charting your plan's progress is to hold a monthly meeting solely to evaluate the plan. Don't mix review of the plan with other matters.

Early Consumption

The business plan gets used up because no one is updating it as time passes.

Update the plan every six months. This means that every six months you extend the plan another year. That way, you never run out of plans.

Business Plans: Myth And Reality

College student Robert Mihaly crafts ornamental designs from glass, wood and metal. He won a nationwide business-plan contest that provided him with a $10,000 grant to launch an ornamental-design business. But he set aside that idea in order to concentrate first on larger projects commissioned by well-heeled clients.



PHOTO: MIKE STEINBERG—BLACK STAR

says Lauzen. "A banker will require a lesser amount of hard collateral if he sees that he can believe in the business plan." Consequently, a better deal at the bank becomes the carrot that lures the owner into figuring out how to run the business in a smarter manner. Usually that means paying more attention to two areas where entrepreneurs and small-business owners need improvement: marketing and management.

"The biggest need for start-ups is in the marketing end of the business," says Susan Garber. "They think market research is overwhelming and that it is expensive. It is a very frightening area, and they don't know how to do it."

Figuring out whether there is a market for your idea can be a tedious process and more than a little daunting. Most entrepreneurs don't know where to get the information they need. Conversely, some "think they know everything, so they just go by the seat of the pants," says Mackler, the banker.

Bill Schildt, an attorney in Hagerstown, Md., knew he had to prove that his fast-food-restaurant idea had a market before he ever tried to write a business plan. He did the research himself, beginning almost three years ago.

Schildt remembers the day in October, 1985, when the idea came to him. A newspaper article about supermarkets selling prepared foods to compete with fast-food chains triggered an idea for a new type of convenience-food restaurant—one that would offer complete, take-out meals for professionals who don't have time to cook at home.

Schildt immersed himself in market research to determine the feasibility of his idea. He studied data on consumer buying habits for take-out food, developed a demographic profile of the type of community most likely to patronize his restaurant and attended seminars on the restaurant business.

Among the things he discovered: For two-income families and single heads of households, who together make up the market with the greatest demand for convenience food, price isn't the most important consideration. Quality comes first, followed by convenience and then price.

Armed with what he considered to be persuasive market research, in February Schildt presented his business plan to the Baltimore branch of the MIT Enterprise Forum. Since then, Schildt has refined his plan and used it to attract investors to start what he hopes will be a chain of restaurants in the suburban Washington area. Solid market research turned out to be the underpinning of his business plan.

Reaction to your finished plan also may lead you to reconsider where your best potential market really lies. That's what happened to Robert Mihaly, an artist from Akron, Ohio, who recently won a $10,000 grant for submitting the best business plan in a nationwide contest open only to college students. (The Brices sponsored the contest.)

Mihaly proposed starting a business that would manufacture decorative architectural designs, such as etched glass or sculpted wood and metal, primarily for private homes. "I wanted to offer things at prices that normal people could afford," says Mihaly.

But the public attention that resulted from winning the business-plan contest has led to several possible projects for well-heeled clients, causing Mihaly to rethink his marketing plan. "I'm probably headed for an upscale market for now, but eventually I want to offer things for small builders and architects," he says.

Of all the parts of a business plan, the one most often sold short is management. "Entrepreneurs are so wrapped up in getting capital that they have a blind spot for the organizational dimension," says Lester, the executive recruiter. "And they don't know how to delegate."

Entrepreneurs also tend to overestimate their ability to handle management matters. Accordingly, one of the keys to success is honesty. "Entrepreneurs must recognize what they do well and what they don't do well, then create a management team with complementary skills to get the job done," says Lester. "People are the most important part of making a new venture work."

Paul Jones, chief executive officer of Atlanta Group Systems, Inc., a computer consulting firm, learned a valuable lesson in managerial honesty when he attended the Jefferson Institute in May, 1987. Jones, an ace programer, started his firm seven years ago and slowly built it into a million-dollar business. As a technician, he never felt comfortable with the marketing and financial sides of the business. But that wasn't a big problem as long as he thought of the business as a technical company that was marketing a service.

At the Jefferson Institute, however, he learned to think of the business "as a marketing company that happens to be selling technical services." When Jones returned to Atlanta, he resigned as company president (but remains CEO), hired a marketing specialist to take his place, and "got the hell out of his way." Since then, business volume has tripled. "I attribute all the growth to what I learned," says Jones.

Putting money at the end of your list of reasons for writing a business plan begins to make more sense once you've thought through the pitfalls of inadequate market research and poor management. Why spend a cent until you have given serious thought to running the business?

The notion that a business plan is

something you write to raise money took root and flourished over the past decade along with the spectacular growth of the venture-capital industry. A polished plan is your ticket to admission to the venture-capital game—the major leagues of business finance.

But venture capital isn't the only money game in town. In fact, only a tiny fraction of business owners ever play.

Most obtain their money elsewhere—banks, friends, relatives or personal savings. Of this group, banks are the most demanding when it comes to written plans. But bankers are far less demanding than venture capitalists.

"I'm not interested in a fancy plan," says Mackler. "I'm not grading you on form; I'm very concerned about substance. That's what we emphasize. I don't want the business plan to become so tedious that you don't want to do it."

Banks don't always have to know what you are up to. It's no secret that thousands of small-business owners use home-equity loans or credit cards to tap bank funds for business purposes without ever presenting a business plan for bank approval.

"The major problem affecting businesses, large or small, is lack of imagination, not capital."

—Entrepreneur Paul Hawken, Author Of Growing A Business

If it seems that you'll never succeed because of lack of money, consider the advice of someone who, in the early 1970s, founded a nationwide chain of health-food stores with just $500. Says Paul Hawken: "The major problem affecting businesses, large or small, is lack of imagination, not capital."

This isn't to deny that too little money is a major cause of business failure. It is. But don't underestimate your own creativity in the face of financial adversity.

Of the three M's in planning—markets, management and money—you just might get by with less money if you make up the difference with marketing and management skills.

"If you do a really good job of writing your business plan," says business-development consultant Siegel, "it's more than just putting words on paper. You do a lot of research, and you expose a lot of flaws. Each one that you expose and treat, you enhance the chances of your success."

That's what business plans are all about. NB

To order reprints of this article, see page 55.

The Bic Metal Point Roller. It's the right pen for your inc.

The Bic Metal Point Roller is the one pen that possesses the qualities American business admires.

It's dependable, thanks to a durable metal point. It's great under pressure, because the tip won't deteriorate. And it writes quickly and smoothly, so it can keep pace with even the fastest thinkers.

Of course, there are other reasons why the Bic Metal Point Roller has won a place in the hearts and desks of American business.

It has a vivid new ink formula that makes words command attention. Yet at the same time, while this pen could command a high salary, it works for far less than the minimum wage. In fact, it's a workhorse for only $1.19.

With an American made pen that has this much to offer, you'll want to hire Bic Metal Point Rollers in every department.



Our quality comes in writing.

BIC Metal Point Roller

How To Be A Great Boss

By Sharon Geltner

Every boss is unique, with a personal style of running things. But the best, most effective bosses, whether authoritarian or casual and informal, share a number of traits.

They are sticklers for integrity, honesty, fairness and the personal touch. They may not be buddy-buddy with their employees, but they keep the doors open. In return they expect—and receive—loyalty and productivity.

They are decisive, yet they can be flexible. They learn through trial and error—and they know there is little margin for error. When they make the necessary difficult decisions that might hurt subordinates, they still earn those subordinates' respect.

The best bosses are leaders, not managers, and though their eye is on the bottom line, their focus is on the company's people.

These are some of the formulas for success at the top espoused by various top executives, many of whom admit that being a boss is an acquired skill.

"Bosses sure as hell are not born," says Irwin Mintz, who heads the JBM Electronics Company, in St. Louis. "It does take a certain personality, yes. But if you are just smart and aggressive alone, you will be a bad boss. It takes experience to handle people. And it's not in the genes to make the right decisions to run a company."

JBM, with 60 employees and $5 million in annual sales, was founded 13 years ago by Mintz. "I never was a good team player," he says. "I never overcame that until I started my own company. . . . I became a good boss by learning from the problems I had being able to be a team player. I trained myself to be a boss."

Robert J. Schoenberg says in *The Art of Being A Boss* (J.B. Lippincott, Philadelphia): "It is a byword that 'this is the people business'—which basically means caring about people. Not sloppily, or with the outlook of a social worker, but with a constant awareness that people are your company's most important resource and that your personal advancement at every stage will turn on how people will react to you and perform for you."

Sharon Geltner is a free-lance writer in Alexandria, Va.



PHOTO: RICHARD DENK

"I never trust popularity. I'm not a rock star," says Jim Miller, right, president of Intermatic, Inc., in Spring Grove, Ill. Employees "want to have a sense of confidence in the CEO. They need to know I will be fair in dealing with them," says Miller, shown with Supervisor/Liaison Carol Boas in the company's final assembly area.

"A boss has to work 10 times as hard as his employees to gain their trust, and if he blows it once, that's it," says John "Jack" Stack, president of Springfield Remanufacturing Center Corporation, a Springfield, Mo., company with 450 employees.

"There's a tremendous difference between a leader and a manager," Stack adds. "A manager relies on textbook philosophies and principles. A leader works to be himself. He is happy working from his own head. He maintains a balance with family, work, sports and religion. If he keeps working hard at it and can do it, people will admire him."

Despite human nature, bosses generally don't expect to be liked. "I never trust popularity. I'm not a rock star," says Jim Miller, president of Intermatic, Inc., a maker of timing devices and low-voltage lighting, in Spring Grove, Ill.

"Respect is important. People want to have a sense of confidence in the CEO. They need to know I will be fair in dealing with them, and that their side will be heard. I try to communicate well and be friendly. . . . People want to be liked. I never worry about popularity, but when I do these things, people speak well of me."

In his first six months at Intermatic, Miller had to lay off 480 of his 980 workers. "It was pretty brutal," he says. "But people were relieved because they could anticipate everything that was going to happen. I outlined everything in a clear program. No one had to worry they'd walk in one Friday and their jobs would be gone."

Today he is praised by employees. "He pulled this company out from under," says a receiving clerk. Intermatic's revenues held steady while earnings climbed by $1.4 million. Within a

The best bosses are decisive yet flexible, keep their doors open, earn workers' loyalty, show them respect, involve them in change and always abide by the Golden Rule.

year, Miller hired back everyone he had laid off. He now employs 1,000.

"I advise complete disclosure immediately to employees about the company," Miller says. "Although our situation was dismal, it was so much better to tell them straight out than let them hear bits and pieces and conjure up devils in the darkness. You should be candid at all times."

Mintz, of JBM Electronics, says: "I like to be liked, but the more successful the company, the more you are liked as a boss. 'Like' is phony. You give a heck of a raise, and everyone will like you better.

"I used to have the idea I could get my employees enthusiastic and working and pay less than anyone else. It doesn't work. It's salaries that count. I don't care how much motivation there is, people have to eat."

Good bosses sometimes must be flexible, and that flexibility—such as in shifting an employee to a new post to improve performance—can also increase workers' loyalty. When Mary Kay Ash, founder of Mary Kay Cosmetics, in Dallas, discovered that a public-relations staff member could not address large audiences even after two years of trying, she had the employee sample another position in the company.

"I will not discard an employee as if she were yesterday's newspaper. . . . I would rather err to the 'people side' than err to the 'hard-core business side' of this issue," Ash says in *Mary Kay on People Management* (Warner, New York).

"Be good to your staff when things are going well, so they'll rally when times go bad," Ash advises. "Loyalty isn't something a manager is automatically given. It doesn't go with the territory. It must be earned. So when times are tough, the person who isn't liked by his people will not get their needed support. Indeed, they may be rooting against him."

Being honest with workers and treating them fairly can actually help a company survive, says Thomas T. Hammond, president of the Hammond Company, in Newport Beach, Calif. "The real payoff comes during a crisis," he says. "In our 12 years of business, we have had three major events that could have been catastrophic for our company. In each case, we kept our sales staff completely informed about the crisis and our strategy to survive. To my amazement, not a single salesperson jumped ship during those perilous periods."



PHOTO: TOM EBENHOH—BLACK STAR

Brains and aggressiveness alone won't make you a better boss, says Irwin Mintz, of JBM Electronics, in St. Louis, shown conferring with James R. Harrison.

Being an effective boss requires not only the ability to solve problems, but also a certain skill for preventing them. Honest and open communication is a sure way to prevent problems before they start. Many bosses make themselves available informally so that gripes can be aired and difficulties discussed before they grow into crises.

Mintz of JBM always greets his employees: "I never walk around the firm without saying hi and the first name. You can see in their faces what personal greetings mean to them. If you don't say hello . . . you don't respect your staff, and it shows. . . . It's a mutual thing; if you respect your staff, they will respect you."

The best bosses say there is no secret to being a good boss. Most of us were told how to become one a long time ago: Treat others as you would want to be treated. In other words, follow the Golden Rule. The best bosses do. **NB**

To order reprints of this article, see page 55.

Rules To Lead By

Want to be a better boss? Consider these few pointers recommended by some of today's best bosses:

Be decisive. A boss who stalls can cause stress for the staff. Confront problems and deal with them. Give clear, concise assignments. Don't make arbitrary, illogical decisions.

Follow through. If you tell staff members you will take action or that something will be done, make sure it happens. Don't promise what you can't deliver.

Never hide behind policy. Cosmetics entrepreneur Mary Kay Ash suggests that you say, " 'This is company policy because. . . .' If you can't finish the sentence with a satisfactory reason, perhaps the time has come to modify or do away with the policy."

Include praise with criticism. Never criticize in front of others.

Seek support from those affected. People often resist change. The more you let them take part in a new project, the more they will support it.

Don't put on airs. And don't be pompous. Since your success is based on the success of the people you supervise, arrogance will backfire by undermining their confidence. Forgo private bathrooms and dining rooms or other conspicuous status symbols.

Promote from within. You will reduce turnover if those at the bottom know they won't be there forever.

Where Women Are Welcome

By Karen Berney

Since the early 1980s, the personal-computer industry has been a source of continuous innovation and countless entrepreneurial triumphs. Not surprisingly, the legend-makers have been men—Steve Jobs of Apple, Bill Gates of Microsoft, Mitchell Kapor of Lotus.

But years from now that roster may include Heidi Roizen, Karen Toland and Darragh Muldoon—women who attribute the success of their growing companies to an industry that is blind to sex and race but wide open to novel ideas backed by ambition and talent.

"The personal-computer industry is a meritocracy," says Benjamin M. Rosen, a prominent New York venture capitalist. His investments include one of the earliest women-founded software companies, Quarterdeck Office Systems, headed by Therese Myers in Santa Monica, Calif. Well-qualified women are getting ahead, he maintains, "for in the end, the industry values and rewards competence above all else."

Whether they are entrepreneurs, executives or analysts, women who have staked a claim in the field of personal computers insist that being a woman is not an issue in the industry. Karen Toland, 37, president of Foresite, a $1 million software concern in Redwood City, Calif., says, "I really do believe that if you love what you are doing and offer a valuable product and service to your customers, it doesn't matter if you are a woman, a man or a fish."

Indeed, Ellen M. Hancock, who as president of IBM's $5 billion communications-products division is the computer industry's highest ranking female executive, declined to be interviewed for a story on women in high technology. "Ellen doesn't like to talk about being a woman," explained an IBM spokeswoman. "She feels she got where she is today because of her capabilities."

If being a female counts for anything, women say, it adds up to an advantage. "Because 95 percent of the industry is made up of males, you can't help but be noticed and remembered," says 30-year-old Heidi Roizen. At age 23 she launched T/Maker Company, a $3-million-a-year publisher of software for Apple's Macintosh PC. Being a woman and being noticed can help, she says, "providing you know what you are talking about."



PHOTO: T. MICHAEL KEZA

Karen Toland, president of Foresite, says that "if you love what you are doing and offer a valuable product and service . . . it doesn't matter if you are a woman, a man or a fish."

That the PC industry has been fertile ground for female entrepreneurs has much to do with its tender age. "When I got into the business," says Roizen, "it never occurred to me that I would have to change the rules, because there were no rules."

Darragh Muldoon too has not felt hampered in the PC industry. Muldoon, 48, founded Cricket Software, Inc., a Malvern, Pa., maker of graphics software for the Mac. Her firm's sales reached $6 million by the time it was three years old, and its revenues will more than double in 1988. "There are no conventions in this industry," she says. "That is why it is so dynamic."

As youthful as the industry itself are the men who dominate it. These men—most in their 20s, 30s and 40s—grew up during the feminist revolution, and by the time they entered the PC business, it had become socially acceptable for women to pursue careers single-mindedly. "These guys have no trouble working with professional women side by side," says Roizen. "They expected to see us in business," she adds, not just as subordinates but also as colleagues and superiors.

This does not mean there are no subtle prejudices in the PC industry. While women are in the sales, marketing and public-relations departments of nearly every major hardware and software vendor, few have made the leap to corporate management. The often-cited explanation for this is that the pool of qualified women from which to draw executives is still very small.

Only 40 percent of female scientists and engineers have more than 10 years of experience, compared with 73 percent of their male counterparts. The belief is that as engineering and professional schools produce more female graduates, more women will advance to senior slots. But experts cite other reasons for the dearth of women at the top. They may be discouraged by the amount of time it takes to climb the ranks, and by the fact that female executives usually earn less than men in like positions, says computer-industry consultant Amy D. Wohl.

Wohl, a contributing editor to *Computerworld*, is president of Wohl Associates, in Bala Cynwyd, Pa. She quit her job as executive editor at a market-research firm in 1979 because of what she calls the firm's discrimination against women regarding salaries. "Each time

In the personal-computer industry, women entrepreneurs, executives and analysts find that being a woman is no bar to success.



PHOTO: T. MICHAEL KEZA

Men have no trouble working with women in the personal-computer industry, says T/Maker Company's founder Heidi Roizen, shown with development director Andy Jeffrey.

I asked for a raise," she explains, she was asked: "Why do you need more money? Doesn't your husband have a good job?" So Wohl started her own PC consulting business. "When I got started, I had $1,400 in the bank," she says. "Within one month of launching my company, which was just myself, I was bringing in cash." Today, Wohl Associates employs 15 people, produces three monthly newsletters and advises corporate clients, such as American Express and Johnson & Johnson, on multimillion-dollar computer purchases.

The relative speed and ease with which an entrepreneur can get into consulting may be why many of the female pioneers of the late 1970s chose to carve niches in market research. Along with Amy Wohl, three other women are members of the select group of analysts whose views appear regularly in the business and computer press. They are Portia Isaacson, founder of Future Computing, Inc., and a new newsletter called *Future Think*; Patty Seybold, president of Seybold Office Computing; and Esther Dyson, owner and editor of the *RELease 1.0* newsletter.

Women now appear to be gaining ground in PC software, which, like consulting, requires minimum start-up capital. There are no hard data on the number of software companies that have been founded or cofounded by women, but industry observers are convinced that a trend is under way. Of the 230 software companies that belong to the Software Publishers Association in Washington, at least 10 are owned fully or partly by women. The figure isn't staggering, says the SPA's executive director, Ken Wasch, "but you have to consider that just a few years ago there were only two or three" female-owned software firms.

Noting that the $3-billion-a-year software industry is growing at 30 percent annually, Wasch says that "the opportunities are excellent" and the few women who have exploited them "have demonstrated enormous success."

The software business, says Wohl of Bala Cynwyd, also lends itself to what is considered a traditional female strength—the ability to nurture. Look at the way software is created, she explains. Often it is the brainchild of a brilliant programer who ranks high on creativity but low on management skills. To succeed in business, he needs someone who can constructively channel his energy. Women seem to be gifted at bringing out the best in people.

A friend and neighbor of Cricket Software's Darragh Muldoon, Wohl recalls recently bumping into Muldoon at a local grocery store. "She was buying snacks for her software designers." Wohl says Muldoon is a savvy CEO who also possesses "that feminine trait" of making sure that people get what they need to thrive.

Muldoon describes her company as "a close-knit family that I want to keep happy." Her orientation toward people, she feels, stems from being female. "I wasn't motivated to start Cricket because of money or power," she says. "I wanted to create a positive working environment for myself and others."

As women in essentially a man's world, Muldoon and her female colleagues might have been expected to encounter gender-related obstacles. Yet, perhaps because society has changed and the personal-computer industry is an open field, these women tell no horror stories, only the struggles common to young companies.

Heidi Roizen has an M.B.A. from Stanford University. Karen Toland is a high-school graduate who never sought higher education. At age 31, Darragh Muldoon went back to college to get a degree in accounting. Despite the differences in their backgrounds, all three women are dedicated and accomplished users of computer technology who take pride in using the latest software in their jobs. "I don't have a secretary," Toland says, "because I do everything myself . . . on my PC."

"You can't fake it in this business," notes Richard Schaffer, editor of the *Technologic Computer Letter*. "There is no substitute for knowing your way around technology."

In the past, that statement might have caused a woman to think twice about pursuing a career in the PC industry. "I'm not an engineer, therefore my qualifications fall short," she might have concluded. But as these women demonstrate, you need not be technical to appreciate technology, to have a vision of its future and of how you can contribute to it. More than an engineering degree, that may be the ticket to success in the computer industry for men as well as women. NB

A Look At Apple's Mac

User friendliness has given Apple's Macintosh Plus the advantage with computer newcomers, but that edge is eroding.

By Karen Berney

Two years ago attorney Alan N. Schlaifer decided to buy a personal computer for word processing in his small Washington law office.

With no prior knowledge of computers, Schlaifer says, his overriding concern was to learn quickly and easily how to use a PC.

The more he shopped, the more he was confused by technical terms he had no wish to fathom.

Then Schlaifer found the Macintosh Plus, one of the models in the Macintosh line of PCs made by Apple Computer, Inc., Cupertino, Calif. In Macintosh technology, Schlaifer found a style of interacting with computers that appealed to his visual nature: The Mac displays symbols and drop-down menus that the user can point to—clicking a hand-operated device called a mouse—for commands such as to open, store or print a file.

After testing the Mac Plus, Schlaifer believed he could teach himself how to use it within a few hours, and he saw that as a decisive advantage.

But the differences that have given Apple an edge over its rivals on the basis of learning time are eroding fast. Computer analysts note that the worlds of IBM and Apple are converging. In a bow to Apple's success in tackling the ease-of-use problem, IBM designed its new PS/2 line of microcomputers around an operating system that eventually will result in software with the look and feel of the programs that made the Mac so popular.

"It is no longer true that one machine is better than another," says Jack Hodgson, executive director of the Macintosh users group of the Boston Computer Society. "There isn't any application that you can't run on either computer," Hodgson says. "If you like dealing with pictures over words, you'll love the Mac. If you prefer text, you'll want an IBM."

The Mac's training strengths, coupled with Apple CEO John Sculley's revamping of the company's management, have enabled Apple to make headway in an uphill battle against IBM's overwhelming command of the business market. Apple's share of that market has gone from 7.2 percent to



CHART: ANGELA REED BREESE

12.2 percent in the past three years, according to International Data Corporation, a Framingham, Mass., market-research firm. IDC says that Apple ships 70 percent of its Macs to businesses; a quarter of those go to small firms.

Attorney Schlaifer is among the more enthusiastic Mac Plus users. A few months after buying one for himself, he bought another for his secretary and added a laser printer to his office. Now he uses Macs for everything from cranking out standard contracts to designing slide-show charts.

"To me," he says, "the difference between learning to compute on the Mac versus other computers was like the difference between an automatic and a stick-shift car."

Years ago, deciding between the two dominant personal computer systems—Apple and IBM—was hardly as straightforward as it was for Schlaifer. Although the Mac was generally seen as more accessible and intuitive than IBM and IBM-compatible machines, IBM users had a much larger and more diverse library of software programs to choose from. But now there are thousands of software packages for both standards, and most top-selling packages for MS-DOS, the operating system that distinguishes IBM from Mac, come in a version for the Mac, and vice versa.

Still, if learning fast is one of your objectives, the advantage—at least now—is with the Mac. Various studies have found that a computer novice would need five hours of practice to become proficient on a Mac and 40 hours for a competing technology.

The newest models are expandable, meaning that, like IBM PCs, they have empty slots for inserting plug-in boards that add power and features.

Meanwhile, the push is on to make Macs and IBMs even more compatible. Currently, Mac programs cannot be run on IBM PCs. But with a $595 program from Insignia Solutions, San Jose, Calif., you can run IBM software on Apple's Mac II. In addition, a $150 conversion device from Mac Link Plus, Dataviz Inc., East Norwalk, Conn., enables you to swap IBM and Mac data; files from an IBM Lotus 1-2-3 spreadsheet, for instance, can be converted for the Mac.

The Macintosh family of PCs consists of three models—the Mac Plus, retailing for $1,799; the Mac SE, $2,898 to $3,698; and the Mac II, $3,898 to $5,498. The machines vary in speed, disk storage and memory capacity and features. Technically, the most versatile machine is the Mac II. It is based on Motorola's 68020 microprocessor, analogous to the 80386 chip used in top-of-the-line IBMs; it has six open slots for plug-in boards (the SE has one), and can display color on a 12- or 13-inch screen.

Selecting a Mac depends on how you plan to use it. Generally, experts say the Mac SE is well suited to mainstream PC applications; the MAC II's significant advantages are in preparing high-quality graphics and text, and being able to run the Unix operating system, important for scientific and engineering work.

Macs can be purchased only from authorized Apple dealers; you cannot order one from the company or through a mail-order firm. NB

Manage With Ease



With Executive Seminars in Sound.

You don't have to be a genius to be a successful manager. **"Executive Seminars in Sound"** can teach you the techniques you need for more effective management of your business. Each of the eight, easy-to-follow audio cassettes spotlights the challenges you face every day and gives expert advice on how to meet them.

The 45-minute tapes cover:

1. **How to Get Your Ideas Across**
2. **Your Role as a Decision Maker**
3. **Better Management of People**
4. **Mastering the Art of Delegating**
5. **Make the Most of Your Time**
6. **Organizing Your Plans and Planning Your Organization**
7. **Strategies of Moving Ahead**
8. **How to Live with Your Own Success**

The convenience of cassette tapes, in a compact binder, enables you to listen in your car, at the office, jogging or at home. You'll also receive a study guide with a written synopsis of each tape.

You'll profit for a lifetime from a $95 investment in **"Executive Seminars in Sound."** Order your set today. If you are not satisfied, return it within 15 days for full refund.

Try it for 15 days FREE

Guarantee: Send me **"Executive Seminars in Sound."** If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.

☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC ☐ Choice

Card No. _____ Exp. Date _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

Nation's Business Executive Seminars Division, 1615 H Street, NW, Washington, D.C. 20062

California and D.C. residents, add sales tax.

NB0888

CALL TOLL FREE 1-800-345-8112

Pa. residents call 1-800-662-2224



Circle #75 on Reader Service Card

Worker Law Proves Workable—So Far

By Albert G. Holzinger and John M. Hood

Contractor Robert Bloechle started having "recurring nightmares" over a year ago when he discovered all the paperwork involved in complying with the new immigration law.

Designed to reduce the influx of illegal aliens, the revised law requires that new hires complete a government form and supply proof of their identity and eligibility to work in the United States. It also requires that employers keep the form for at least three years as evidence of their compliance.

Since the construction industry has high turnover, Bloechle had visions of bulging file cabinets and of unannounced visits by federal enforcers. But his fears proved unfounded, and so have similar concerns of many other employers—thus far.

During their year of getting used to the law with a grace period on most penalties for first offenders, employers generally found that meeting its terms was not burdensome. "After an initial flurry of activity, I don't think we've had too many problems," Bloechle says.

"My workers fill out I-9 forms with their W-4 [income-tax withholding] forms at our construction sites, and supervisors bring them to the office for filing," says Bloechle, vice president of Hawkins Construction Company in Omaha. "Since the company often reemploys workers from [previous jobs], forms frequently are already on file for 'new' employees. The philosophy of businesses becoming government's policeman is more troubling than the actual practice."

But the Immigration and Naturalization Service (INS), the agency charged by Congress with enforcing the law, has not totally escaped criticism at this early stage of full enforcement. Mary Pivec, an immigration-law specialist at the Baltimore law firm of Frank, Bernstein, Conaway and Goldman, says that INS directives are not applied consistently. She contends: "Enforcement depends upon with whom you're dealing, which district you're in and the nature of your business."

She warns business owners that, in general, her clients have found the INS "extremely aggressive in ferreting out violators and extremely technical in deciding what constitutes a violation. If you operate a decentralized operation with authority for hiring of others scattered about, you're an easy mark."



PHOTO: JIM KRANTZ

His Omaha construction firm has not had many problems with the immigration law, says Vice President Robert Bloechle; Joe Butkus, standing, is payroll coordinator.

Joe Castillo, president of Astro Blueprint and Supply, in Phoenix, is among the majority of business people whose experience with the INS has been positive thus far. He had feared that paperwork requirements of the immigration law would be as intrusive as those under the Occupational Safety and Health Act (OSHA). But the impact of the statute on employers in his area, Castillo says, "is not as bad as they thought it would be." To the credit of the INS, he says, enforcement "seems to be working fairly smoothly." But even Castillo concedes that any final judgments on the impact of the law thus far may be premature because full implementation has just begun and "there hasn't been much enforcement activity yet."

Frederick J. Krebs, director of the Employee Relations Policy Center of the U.S. Chamber of Commerce, approves of the way the INS sought to mitigate the paperwork burden that the law placed on employers: "The agency consulted extensively with the business community in developing the I-9 form," Krebs says. "The final product is about as straightforward and unobtrusive as a federal form can be."

Krebs and Virginia Lamp Thomas, an immigration lobbyist for the U.S. Chamber, report they have heard little outcry from business owners, though they share Castillo's fear that the relative calm may stem from the fact that the full-enforcement period is still young. Notes Krebs: "There is great potential for harassment, and business acceptance depends on whether the INS follows the letter or the spirit of the law."

The statute that has caused such concern for employers and their trade associations in Washington is the Immigration Reform and Control Act of 1986, drafted to reduce the flow of job-seeking illegal immigrants. It established amnesty for many aliens then living illegally in the United States and tough sanctions against employers encouraging further illegal immigration by hiring undocumented workers.

Under the law, employees hired after Nov. 6, 1986, the date it was signed by President Reagan, must show proof of identity and eligibility to work; they must fill out a form designated I-9 by the INS. (See box on Page 31.)

Employers must list the documents inspected for each employee and must

Enforcement of the new immigration law has not had a major impact on employers generally, but the verdict on whether business can live comfortably with it is still out.

attest that the papers "appear to be genuine." The INS recommends that employers also photocopy the documents, "for the purpose of showing good-faith compliance with the verification process," and attach the photocopy to the form, which is the one the employer must keep for three years.

Simple paperwork violations are punishable by fines up to $1,000 per employee. Sanctions against employers actually hiring illegal aliens are much more severe. They include fines of $250 to $10,000 per worker and prison sentences up to six months.

The paperwork, the employer sanctions and other provisions of the law took effect June 1, 1987. But until last June 1, the INS only issued warnings to first-time violators; the agency did not fine them. During the one-year "education period," INS agents wrote about 2,000 warnings of failure to file I-9 forms and fined 85 repeat offenders a total of about $257,000.

The INS plans to double its force of 900 field agents, enabling it to inspect more places of employment. Yet most compliance will remain voluntary, since up to 30 million workers are hired in the United States each year, says John Schroeder, INS assistant commissioner for employer and labor relations.



PHOTO: JEFF LAWRENCE

The U.S. immigration agency will "bend over backwards . . . to honor fair excuses" for employers' paperwork errors, says Assistant Commissioner John Schroeder.

Employers who hire only those eligible to work need not fear inspections, he says. "We're really going to bend over backwards in a good-faith effort to honor fair excuses [for not keeping paperwork properly]. We're aware we have to show good judgment."

Schroeder adds that there's little reason for employers to break the law. He cites a study of the law's impact on three companies—McDonald's restaurants, Hyatt Regency hotels and Guest Service Industries (GSI), a Washington-based food-service firm operating in about 25 states. The study found no problems with compliance during the grace period, no significant paperwork burdens and few costs associated with the I-9 forms.

But critics of the study argue that since the smallest of the businesses involved, GSI, has more than 5,000 employees, the study's findings are not applicable to small businesses.

In a recent survey of 72 Southern California employers, the Center for U.S.-Mexican Studies at the University of California at San Diego found that 59 percent said they still hire illegal immigrants. They said they disregard the law because forged documents are widely available and their own liability in accepting such documents is limited.

Nonetheless, cheating is not expected to be pervasive, says immigration-law specialist Mary Pivec. Employers probably won't risk hiring illegal workers "no matter how desperate they may be," she says, "because the penalties are too high." NB

How The Law Works

Under the new immigration law, every employer must verify the identity and eligibility to work of every employee hired after Nov. 6, 1986. Failure to comply is punishable by fines of $250 to $1,000 and jail terms up to six months.

Documents inspected must be listed on Immigration and Naturalization Service Form I-9. The form must be kept on file for three years after the employee is hired.

Proving identity and eligibility for employment can be done with various documents. For example, both requirements can be met with a current U.S. passport or a certificate of U.S. citizenship. Or identity can be proved with a driver's license or a state-issued identification card, while work eligibility can be proved with a Social Security card or a birth certificate.

The INS recommends that employers photocopy applicants' documents and attach photocopies to I-9 forms. But some immigration attorneys recommend against this practice partly because the INS could use the photocopies to assert that employers should have known that workers hired were illegal aliens with counterfeit identification.

Employers are prohibited from discriminating against workers who "look like aliens" or speak a foreign language. Sen. Alan K. Simpson (R-Wyo.), chief Senate architect of the law, says about 80 employers have been charged with such discrimination.

The U.S. Chamber of Commerce has published a detailed, concise guide for complying with the new law. The publication, *The Immigration Law: An Employer's Handbook*, is targeted to small and midsized businesses. It addresses subjects such as recordkeeping, hiring practices, verification of eligibility and penalties for noncompliance. It contains a copy of the I-9 form (which can be photocopied for use), plus descriptions and photographs of documents commonly used for verification.

Single copies are $20 for Chamber members and $35 for nonmembers, postpaid. Bulk orders are available at reduced prices. Write the Chamber at 1615 H Street, N.W., Washington, D.C. 20062, or call (301) 468-5128.

Learning What Workers Think

A professional survey of your employees' attitudes about the company may point to problems, causes and cures.

By Thomas J. Burns

When Lindsay Olive Growers, in Lindsay, Calif., decided it needed a clearer picture of its employees' opinions about the company, everybody on the payroll—managers included—got a chance to state anonymously what was on his or her mind.

The opinions were obtained through a professionally drafted questionnaire called an employee attitude survey. The replies were collected and evaluated by experts outside the company, and the results proved eye-opening for the Lindsay firm. The survey disclosed some complaints and problems that management then took steps to resolve.

"The survey findings helped us significantly," says Richard Vorreyer, director of industrial relations for Lindsay, a growers' cooperative. "It's amazing how they are able to zero in on the important areas. For example, we knew we needed to sharpen our employee communications, but the survey showed us where."

Vorreyer, impressed by the accuracy and cost-effectiveness of the survey used at Lindsay, says other companies could benefit from such examinations of workers' concerns. "Like good tools, attitude surveys are investments in the company's future," he says. "When you identify problems and then solve them, you make your company stronger and better able to compete."

Small and medium-sized businesses increasingly are turning to employee attitude surveys to help them identify and resolve chronic problems such as turnover and absenteeism, weak management-employee communications and inadequate training programs.

"An attitude survey is an anonymous, statistical examination of how employees feel on work-related issues," says Marlowe Volkening, product administrator at Science Research Associates, Inc., a Chicago publisher that produces attitude surveys. "An attitude survey allows for a detailed comparison of the attitudes held by the employees of the firm taking the survey with the attitudes held by employees at all the other firms who took the survey previously."

Thomas J. Burns is a free-lance writer in New Castle, Pa.



ILLUSTRATION: JIM BLISS

Typically, attitude surveys include core questions applicable to employees at any level and in any line of work. These questions are formulated to explore selected areas such as pay, working conditions and supervisor-employee relationships. The questions have been asked of thousands of employees at other firms in the past, and the responses of all previous survey participants form a baseline against which all new responses are measured. The new responses later become part of the baseline.

For example, the SRA core survey evaluates 14 subjects such as pay, benefits, working conditions, relations between supervisors and employees, and confidence in management. Employees are asked 78 questions, to which they respond by choosing "agree," "?" or "disagree." Add-on surveys ask open-ended questions that provide information beyond the core survey; another category asks about the survey itself.

Michael Schroeder of Stanard & Associates, Inc., sole licensee of the SRA Attitude Survey System, says, "The employee attitude survey is a highly efficient means of clarifying issues and learning where employee-related problems lie."

Typical of how a survey can help a company is the experience of A.C. Nielsen Company of Northbrook, Ill., known for its TV ratings services. The company enjoyed steady growth for many years, but about 10 years ago, says Ken Kempka, vice president of employee relations at Nielsen, "there seemed to be a loss of corporate identity among employees. There was some confusion about who we were and what the company was trying to accomplish."

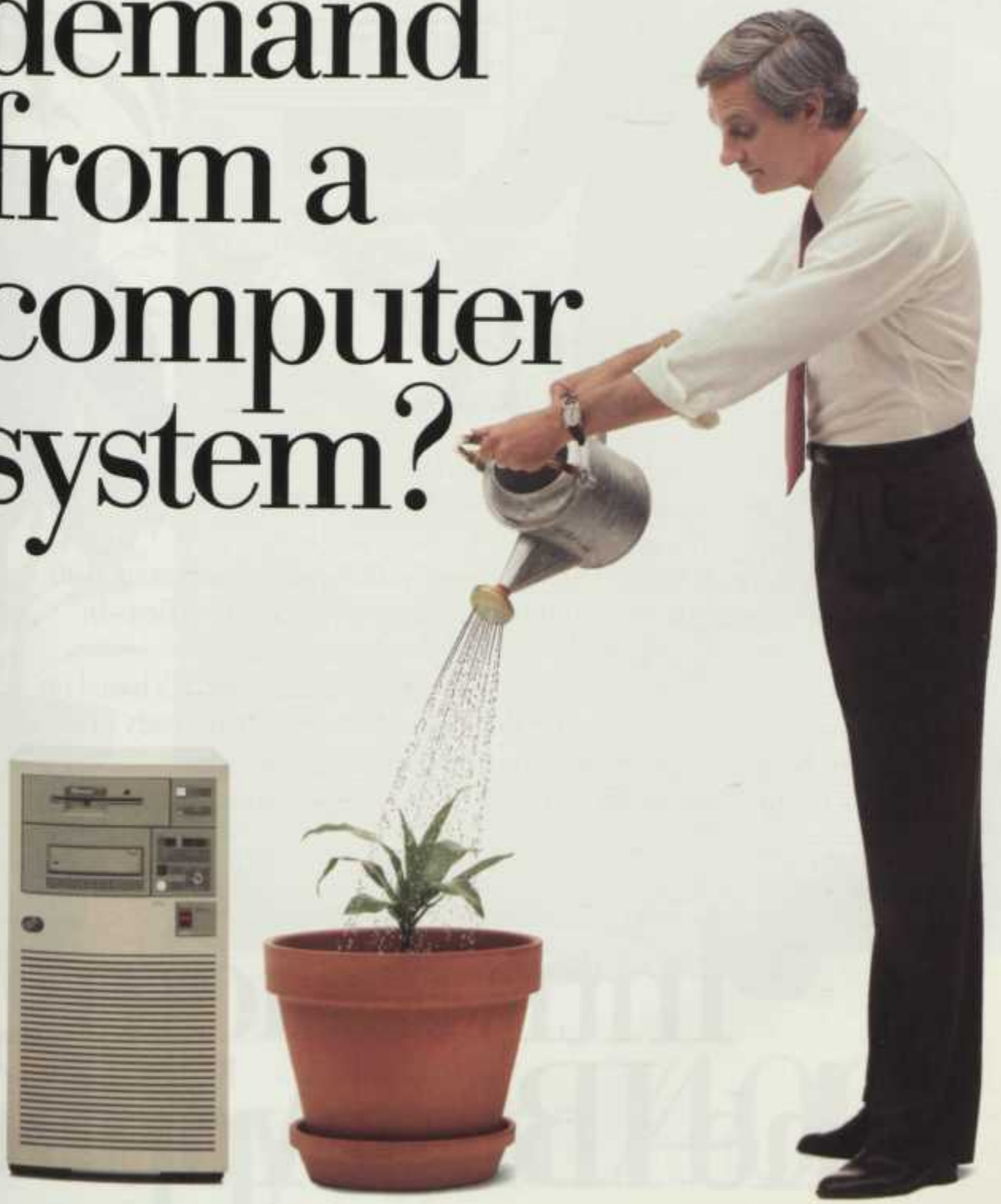
In addition, he says, there was a troublesome breakdown in communication between management and nonmanagement. "We were losing touch with each other. There was a sense that our relationship had become impersonal."

Nielsen turned to SRA's attitude survey to determine how employees felt on key issues. Responses showed that the communications breakdown was largely responsible for the "identity crisis."

An attitude survey's ability to isolate problems often surprises first-time users. Kempka says the survey helped Nielsen define some difficulties narrowly, "even department by department, and, once that was done, we were able to formulate corrective programs. The 'identity crisis' melted away, too."

Attitude surveys identify general problems, not specific causes. A survey may reveal, for example, that most employees in a manufacturing plant dislike their working conditions, but it would not pinpoint the reasons for the

What should every company demand from a computer system?





Growth.

When your business is small, you can buy an IBM® Application System/400,™ and it will be just the right size.

Later on, you'll still be smiling.

That's because as your company grows, your Application System/400 can grow right along with you. And the investments you made at first—in software, training and peripherals—will keep right on working.

That's what the IBM Application System/400 is all about. It's based on IBM's leadership with over a quarter million mid-size systems already in place, and it does what growing companies have told us they want.

It lets you grow into what you need, without outgrowing what you've paid for.

Introducing the IBM Applica



tion System/400.

Whatever your future may hold, there's one thing about it that you can be sure of. It starts today.

So, first things first, your computer system has to solve today's problems, and that's something you can count on from the new IBM Application System/400.

Never before has a mid-size computer been introduced with so much proven software ready to go.

You see, the Application System/400 may be new, but we didn't start from scratch. We built on experience.

Thousands of programs—for retail, manufacturing, accounting, construction, health care, distribution, office work and more—that run on the IBM System/36 and /38 can run on the Application System/400. And many will run faster.

Also, they'll keep on running no matter how



The IBM Application System/400. No matter what business you're in, you're in business.

Construction, *legal,* *manufacturing,* *distribution,*



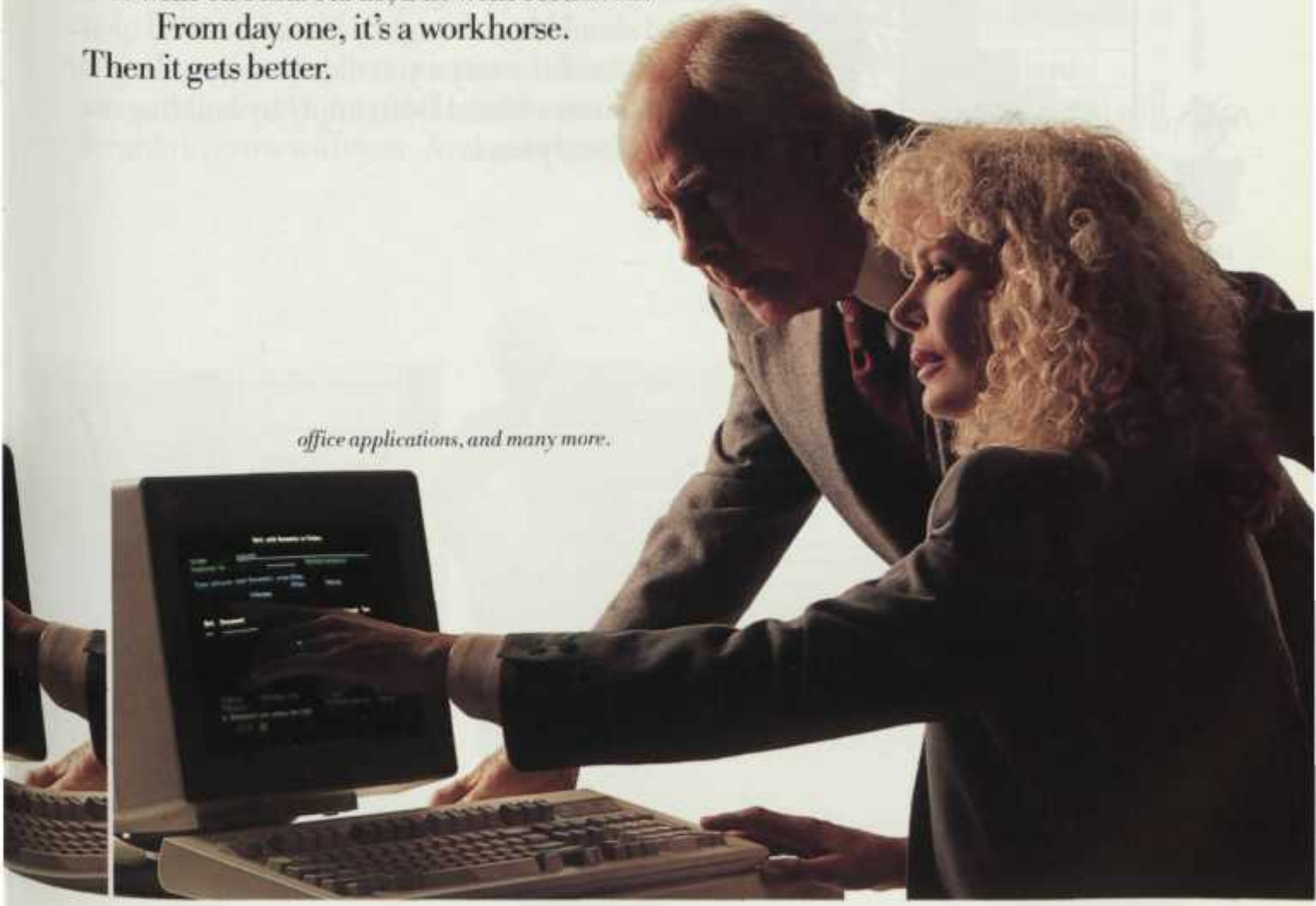
Today: Solutions from the leader in

big your system gets. All models of the Application System/400 share one architecture, and one operating system. So even if you're just starting out, you can make software decisions that won't fence you in later.

And you'll make those decisions with expert help. The people who support the IBM Application System/400 are specialists, not just in their field, but in yours. They can build a solution that's tailored for your kind of business, and your kind of company.

What you're looking for, after all, isn't just a computer. It's the work a computer can do for you. So that's where the IBM Application System/400 began. Not with circuitboards, but with solutions.

From day one, it's a workhorse.
Then it gets better.



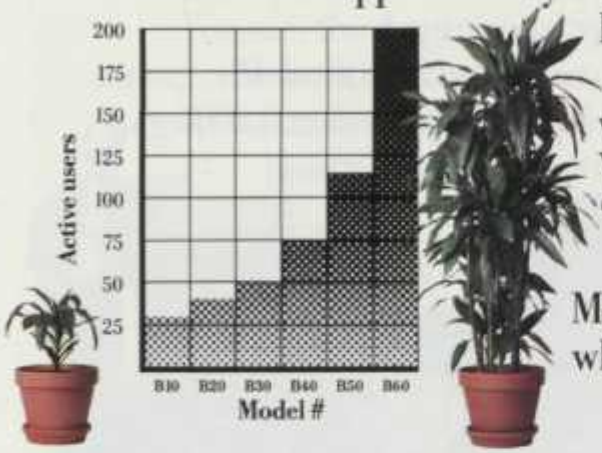
office applications, and many more.

for your business, business solutions.

When you choose your IBM Application System/400 today, you won't have to guess how big it should be for tomorrow.

Because as you grow, it can grow. As you change, you can change it. The decisions you make today will make sense tomorrow, especially since your investments in software, training and equipment will be safe. Here's why.

The IBM Application System/400 comes in six basic sizes: Models B10, B20, B30, B40, B50 and B60.



So let's say you have a Model B30, and two dozen very good people. Suddenly your business takes off. You have scores of people. And you say to yourself, "Gee, I should have bought a Model B40."

Well, in many ways, you did. You can turn your Model B30 into a Model B40 simply by building on what you already have.

However big your IBM Application System/400 may get, the same software will always work.



Tomorrow: Pro

investment as your

From the Model B30 on up, the Application System/400 comes rack-mounted, like a stereo system. Components slide in and out. So you can upgrade right on the spot. You're not locked into any particular setup. Your system's only as big as you need, and making it bigger is easy.

What's more, since the architecture never changes, your software goes right on working. Which means your business does, too.



Rack-mounting allows for major growth without major surgery.

Also, the Application System/400 has a tutorial system that's second to none. New users can practically teach themselves, and tougher questions go on-line for help from experts.

But your toughest question, "What about the future?" is at least partly answered already. As your business grows, your IBM Application System/400 will be able to grow with you. And your investment will pay dividends.

From left to right, the IBM Application System/400: Model B10, Model B30, Model B40, Model B50.



tection for your business grows.

A life-support system for the life of your system.



A good person to see about the IBM Application System/400 is an IBM Marketing Representative. Or, you can go to an IBM Business Partner, who's a partner of both yours and ours. Either way, you'll get a solution—software, hardware, everything—that's just right for your business, plus solid support down the road.

You'll also find support within. Every Application System/400 comes with two kinds of help built in. One's a teacher, the other's a lifeguard.

The teacher is a new kind of on-line education system. Actually it's more like a private tutor. People can start or stop their sessions as they need, so they can learn and do real work at the same time.

The lifeguard gives you timely customer support by connecting you with experts at IBM, or at your IBM Business Partner. Questions can be answered and problems can be corrected, often by remote control.

There's even a new way to pay for your system. Through the IBM Credit Corporation, you can lease everything with one monthly payment.

The IBM Application System/400 comes with more support, more ways, than any of its competitors, and it's support you can always count on.

Because, small or big, you're part of The Bigger Picture at IBM.

For a free brochure, or to arrange for a detailed discussion about the IBM Application System/400, call 1-800-IBM-2468, ext. 81.

© 1988 IBM Corporation. IBM is a registered trademark and Application System/400 and AS/400 are trademarks of IBM Corp.

IBM The Bigger Picture

Learning What Workers Think

dissatisfaction. The plant management, through on-site inspections or other investigations, would have to determine the specific reasons, such as poor lighting or excessive noise.

Companies usually buy attitude surveys from psychological- or management-consulting firms. Byron Harless, Reid & Associates, Inc., a psychological-consulting firm in Tampa, custom designs surveys for clients and administers them to employees.

Generally, companies are capable of administering attitude surveys through their own human-resources departments. But if the management's relations with its staff are not good, it may be advisable to have an outside firm administer the survey to ease any employee suspicions about confidentiality. Regardless of how the survey is given, the survey firm processes and analyzes it.

While SRA's attitude survey may be used for all types and sizes of businesses, some surveys are specific to certain industries. The attitude survey marketed by the Bank Administration Institute, in Rolling Meadows, Ill., has been designed for use only in the financial-services industry, which includes banks, savings and loan associations and credit unions.

A principal difference between the two surveys centers on the norms for evaluating the results. BAI's norms are derived exclusively from financial-services organizations; SRA's norms come from a variety of industries, such as finance, manufacturing and health care. The 12 work-related areas in BAI's core survey parallel those of the SRA survey, since these areas are important to workers in almost all jobs, and the core questions are similar in wording.

Attitude surveys may deal strictly with concerns that employees might have at a number of companies, such as whether the parking is satisfactory, the restrooms are clean, or the cafeteria food is good. Surveys also can ask about matters relevant to only one company, as in "The proposed merger with Smith and French is a good idea," or "The pay raise granted in May was satisfactory."

The consulting firms compile and analyze the data from the computer-scanned answer forms and give written conclusions to the client.

"The value of this information—that 42 percent of a firm's employees feel overworked or that 75 percent feel that the working conditions are satisfactory—lies in the comparison which can be made with all the other responses given previously by employees at other firms," says Sharon Pappas, a consulting psychologist with BAI.

"All of the previously compiled information is known as norms," she says. "When new responses are compared with the nationally established norms, differences indicate either positive or negative findings, depending upon the exact circumstances."

Suppose, for example, a company's sales are declining, management suspects the cause is employee dissatisfaction with pay—a frequent complaint—and uses an attitude survey to test that suspicion. The survey shows that 55 percent of the employees are dissatisfied with their pay. But instead of confirming management's suspicion, the percentage tends to *eliminate* "dissatisfaction with pay" as a cause. The reason is that the figure is below the norm—below the earlier findings that 60 percent of all employees at other firms surveyed expressed dissatisfaction with pay.

Suppose further that just 35 percent of the company's employees are satisfied with working conditions in the plant. This is about 25 percentage points below the national norm on this issue and indicates a problem. Only a detailed investigation will confirm or eliminate working conditions as a cause of the company's declining fortunes.

After an attitude survey has been administered, experts contend, it is crucial that the results—good and bad—be told to employees, that causes of any problems be investigated and that corrective measures be formulated. If these steps are not taken, it is likely that the problems will worsen.

To ensure that progress is being made, follow-up surveys should be taken every three to five years, according to Theodore Kunin, senior vice president of Psychological Consultants to Industry, in Pittsburgh. "That provides an internal norm, a baseline of the firm's own results from previous surveys," he says. "That can be extremely valuable. If, for example, a firm's employees were 70 percent dissatisfied on an issue six years ago when the first survey was taken, 55 percent dissatisfied three years ago on the second survey and just 30 percent dissatisfied in the most recent survey, it seems clear that progress is being made, regardless of what the national norm is on that issue." NB

"I had a million dollar idea at 37,000 feet, and lost it when we landed."



END THE "LOST IDEA" PROBLEM WITH THE DICTAPHONE PLUS.

We've all been there. You have a brilliant idea and somewhere along the way you forget it. Gone forever. Bye-bye. But with the Plus from Dictaphone, you'll never lose another great idea again. Get that Plus with a voice-activated pocket-sized portable from Dictaphone. When you talk it listens, and remembers every word. Anytime. Anywhere. On planes, trains, cars, boats — even on the golf course.



Plus, they come in all sizes. To handle all your million dollar ideas.

So give yourself all the Pluses from Dictaphone — the leader in Voice Products for over 100 years.

For more information, fill in the coupon, or call toll-free:

1-800-342-8439

Mail to: Dictaphone Corporation
120 Old Post Road, Rye, NY 10580-0648

Name_____

Title_____ Phone _____

Address_____

City_____ State_____ Zip _____

Dictaphone® is a trademark of Dictaphone Corporation, Rye, N.Y. ©1988 Dictaphone Corp. FNB-88

Dictaphone

A Pitney Bowes Company

Circle No. 62 on Reader Service Card.

The Roof Is Off Tax Shelters

As the IRS gets tough, investors should consider whether their disputed tax-shelter deductions meet the courts' criteria.

By A.J. Cook



ILLUSTRATIONS: GARY YEALDHALL—EUCALYPTUS TREE STUDIO

Those "painless" tax-shelter write-offs of yesterday have turned into today's litigation headaches. The Internal Revenue Service is challenging every shelter in sight.

Though the promises sounded like genuine plums—a four-dollar tax deduction for every dollar invested in a shelter—many proved to be only sugarplums dancing in the heads of those who invested.

The IRS, with congressional support and one of the largest task forces ever assembled by the agency, has uncovered a galaxy of tax shelters and has decided to disallow every shelter deduction it can find. The question facing many shelter investors now is whether to litigate.

Before taking on the IRS in a possibly expensive fight, a taxpayer should assess the chances for victory. Clues can be found in recent court actions, such as the decision in the case of Edward M. Becker.

Becker, an airline pilot, was prospecting for a tax-sheltered investment when he learned about a South American gold mine called "Gold for Tax Dollars." The promotional material told of a $100,000 deduction for a $25,000 investment. An investor who was in the then-highest tax bracket of 70 percent could save $70,000 in income taxes for a cash outlay of $25,000.

After several months Becker wanted to see where he had sunk his $11,000 investment. So he flew to Guyana and then on to Paramaribo, Surinam; he took a ferry across a river and caught a bus for St. Laurent, French Guiana. In two such trips to find the site—there were some mining operations there—he never found so much as a gold nugget. "I didn't know if I was going to get out alive," he later said in court.

If a person didn't get killed looking for his gold-mine investment, Becker discovered, he might be ambushed by the IRS through a disallowance of his tax deduction. When he deducted his losses, he became one of 3,025 investors in "Gold for Tax Dollars" challenged by the IRS. He was also one of those brave enough to plead his case in court.

The courts decided Becker and his fellow litigants invested primarily to save taxes, not to make a profit, so they lost. There is no deduction unless there is a profit motive. In a decision in the U.S. Court of Appeals for the Seventh Circuit, Judge William J. Campbell said:

"It is unfortunate that in their haste to obtain deductions, taxpayers have put their common sense behind them and have become easy targets for tax-shelter charlatans. . . . The freedom to arrange one's affairs to minimize taxes does not include the right to engage in financial fantasies."

When Congress halted the construction of shelters, it did nothing to affect deductions taken before 1987. Many of those deductions are at issue with the IRS, and many investors refuse to give up without a fight. An IRS spokesman estimates 60 percent of the Tax Court's backlog consists of shelter cases. That means 49,000 cases await court action, with thousands more in the pipeline.

The only "winners" thus far are those who refrained from buying into tantalizing tax lean-tos of years past.

For many years Congress attempted to guide the economy with tax credits and fast-depreciation deductions. These multiple tax incentives, coupled with high tax rates, brought on the shelter industry. The tax shelter was a vehicle used to concentrate these legislative encouragements into one investment. The desired result was postponement of taxes, immediate deduction for investment amount and conversion of ordinary income into capital gains.

These opportunities did not go unnoticed by entrepreneurs, some of whom created abusive tax shelters by stretching the rules beyond legal limits. Abusive shelters used extreme, improper and even false claims with promises of maximum tax benefits.

With complex tax laws and new tax-advantage innovations appearing almost daily, distinguishing the two types of shelters seemed impossible.

In shelter disputes, the IRS usually argues that the taxpayer didn't have a profit motive. The courts decide by examining the facts surrounding the purchase to determine if a reasonable investor would expect to make a profit. A judge looked at it just that way in the case of Kentucky business executive James Rose.

Rose was president of coal-mining and bank holding companies. He bought reproduction masters of Pablo Picasso prints from a promoter with the expectation of four tax-deductible dollars for each dollar invested.

Picasso started many of the 20th cen-

A.J. Cook, author of the tax-planning book A.J.'s Tax Court, *is a CPA and a partner in the Memphis office of Wildman, Harrold, Allen, Dixon & McDonnell, attorneys.*

SUMMER SALE
Save Over 50% Off The Regular Price

ANALYSIS FOR DECISION MAKING



▲ Developed at the Harvard Graduate School of Business Administration.

▲ Tested by more than 20 leading corporations, including Pillsbury, General Electric and Ford Tractor.

Make Tough Decisions With Confidence!

Now you can use a powerful tool of management science. Improve your decision making to build profits! Learn how to break down complex problems into logical steps. Build a technique so flexible it can be used for quick calculations or detailed computer analysis.

You'll receive 10 books, each about 100 pages, with step-by-step charts, diagrams, graphs, decision trees and tables. Twenty audio-cassettes are keyed to the exercises. They alternate lecture, dialogue and dramatizations from case histories. A complete guide will keep you on track as you practice the process that will become second nature.

Find Out With A Free 15-Day Trial. And Discover The Key To Vital Decisions With Confidence.

SPECIAL OFFER FOR NATION'S BUSINESS READERS!



We'll send you this stereo cassette player **free** with your paid order. Listen in privacy to Analysis For Decision Making at home, at the office or on the road!

Pay only $250—a savings of $270 off the regular price. Plus receive a free stereo cassette player with your paid order.

Send to _____

Company _____

Address _____

City/State/Zip _____

☐ Bill my credit card ☐ American Express
☐ Visa ☐ MasterCard ☐ Choice

Card Number: _____

Exp. Date: _____

Signature: _____

MAIL TO: Nation's Business, Seminars Department, 1615 H Street, N.W., Washington, D.C. 20062
Call toll-free 1-800-351-1700
Quantities are limited so order today!

NB0888

tury's art movements. Some of the signed prints he made from his masters sold for as much as $137,500.

The prints to be made from the masters bought by Rose, however, were to be signed by Picasso's granddaughter, and that added little or no value. Even so, Rose paid $196,000 for three such masters, plus the right of reproduction and exploitation. He agreed to pay an additional $1.3 million, but never did.

The IRS challenged Rose's deduction.

In the Tax Court, the shelter's appraiser said the print package was worth $2 million, while the IRS appraiser said it was virtually worthless.

The court agreed with the IRS. The shelter overvalued its assets, focused its promotional material on tax benefits, lacked a reasonable possibility for profit and imposed little or no obligation on the purchaser to pay the balance of the inflated purchase price. The court assessed taxes of over $493,000 against Rose.

Another shelter, more obviously flawed, was purchased by a Walla Walla, Wash., physician. Dr. Lawrence Hawkins bought a master recording of 15 songs, including Ernest Tubb's "Walking the Floor Over You" and Johnny Cash's "A Boy Named Sue." He paid $30,000 and signed a note for $225,000 due only out of profits from recording sales.

The master recording, created by Great Moments, Inc., introduced each song with the narrative: "Hey now, I'm Bob McKee, and I'd like to welcome you to great moments in country music."

When Great Moments sold the master, it warranted it owned all rights except the music portion, which was still owned by the artists or their producers. Thus the doctor bought only the narrative by Bob McKee.

Hawkins claimed deductions and credits totaling $157,960. The scheme wasn't acceptable to the IRS because the recordings couldn't legally be sold to the public.

The Tax Court also disallowed the deductions and credits. The judge said the master recording had no value. The doctor had no obligation to repay the debt, and he was not familiar with the music industry. The judge said the only tune Hawkins wanted to hear was the music of a tax write-off.

The IRS doesn't win all the time. Where the investor has a personal obligation to pay the note and the shelter has a reasonable opportunity for profit, the taxpayer has a good chance of winning, as did Louis Taube of New York.



After seeing sales material on the advantages of investing in Andrama I. Partners, Ltd., Taube invested cash and obligated himself to pay part of Andrama's debt.

The partnership bought two high-quality management-training films for $750,000 and hired the American Broadcasting Company to distribute them. ABC's research showed there were more than 20,000 potential customers. But despite ABC's efforts, the film did not sell. Disappointed, Andrama canceled ABC's contract and hired another distributor. Taube deducted his share of partnership losses.

The IRS disallowed the deductions, saying Taube didn't have a profit motive. The Tax Court disagreed, ruling Andrama was a valid investment. It did not pay more than market value for the films, it did operate in a businesslike manner, and it hired a reputable distributor, the court said. Financial projections were within reason, albeit on the outer bounds of reasonableness.

Motion pictures were involved in many shelter programs. A small company had its write-offs approved after investing in a project featuring the screen debut of actress Brooke Shields.

David Wein, Inc., a Paterson, N.J., corporation, invested $50,000 in Communion Productions, which bought an original screenplay. Allied Artists Corporation was hired as the distributor. Its director, Alfred Sole, had directed several films, including "Deep Sleep," which enjoyed some artistic acclaim and some notoriety as a "risque" movie.

After winning favorable reviews and numerous awards, the movie, called "Communion," suffered a stroke of bad luck when its distributor went into bankruptcy. As a result, the film, even though it grossed $2 million, was never profitable.

David Wein deducted its share of partnership losses. The IRS decided Communion Productions did not have a profit motive and increased Wein's taxes by $50,000.

The Tax Court reversed the IRS. Three factors contributed to its decision: The managers were familiar with the motion-picture industry and worked hard to make the film a success; the movie generated substantial revenue and enjoyed critical acclaim; and an unforeseeable event (the distributor's bankruptcy) was a major reason for lack of profits. "Tax law," the court said, "does not require the realization of profit but only its honest and actual anticipation."

When the IRS disallows a shelter deduction, it tries to show the investor was looking for tax savings, not profits, when the deal was made. These are among the facts that the agency could use to support its contention:

- Tax benefits were emphasized by promotional material that contained little mention of an opportunity for gain.
- Little or no investigation into profit opportunity was made by the taxpayer or his consultant.
- Asset values were inflated, and there was no personal liability on notes signed by the taxpayer.

The following facts, according to the courts, would show a profit motive:

- The sponsor had expertise and a favorable track record in the shelter industry.
- Projections of revenues and expenditures were reasonable and showed an overall profit potential.
- The shelter was operated in a businesslike manner.

A taxpayer whose shelter looks like a loser should try to reach a compromise with the IRS as soon as possible; interest and penalties are accruing at an annual rate of 20 percent of the tax deficiency. On the other hand, if the shelter looks like a winner, the taxpayer should hire a tax lawyer and, if necessary, go to court. ■

Direct Line

Information on where to find lists of lefties, how to orient toward the Orient and where to get advice on selling advice.

Looking For Lefties

Where can I get information on businesses and retail stores that provide equipment and supplies designed for left-handed people? Are there any mailing lists of left-handed people?
L.G., Ann Arbor, Mich.

Although an estimated 10 to 15 percent of the population is left-handed, there is no complete list of businesses providing supplies designed for lefties. To obtain information on such products, says Kim Kipers, executive assistant of Lefthanders International, you could contact some stores that cater to lefties, such as the Southpaw Shop in San Diego, Lefty in Boston and Anything Left-handed in London, England.

Kipers has compiled lists of renowned lefties and of people who do research on them. You may write to her at Lefthanders International, P.O. Box 8249, Topeka, Kans. 66608.

Recruiting Military Business

How do I receive a list of products in demand by the U.S. Navy, Army, Air Force and Marines? I heard there is a list published daily.
D.L., Transfer, Pa.

You heard correctly. In its magazine, *Commerce Business Daily*, the U.S. Department of Commerce publishes a list of merchandise needed by the armed forces as well as by the civilian agencies. The *Commerce Business Daily* is available for reference in major libraries, or call the Commerce Department business assistance line, (202) 377-3176, for further information.

Financial Advice

Where could I find the requirements and procedures for becoming a registered financial adviser?
B.H., North Augusta, S.C.

A good resource on the financial-planning industry is the International Association for Financial Planning, 2 Concourse Parkway, Suite 800, Atlanta, Ga. 30328; (404) 395-1605.

The IAFP reports that there are no formal regulations for financial planners, but anyone who sells advice on securities must register with the Securities and Exchange Commission in Washington. For information on how to become an investment adviser or broker, or for related information, contact the registration branch of the SEC at 450 5th Street, N.W., Washington, D.C. 20549; (202) 272-7250.



ILLUSTRATION: WILLIAM COULTER

Asian Imports

I am interested in starting an import wholesale business and would like to know where I can get information about quotas and duties in Asia.
G.T., Miami

The Association of Foreign Trade Representatives, P.O. Box 300, Planetarium Station, New York, N.Y. 10024, can help you. Because regulations vary among countries, the association asks that you specify which countries interest you. You also may want to read the association's newsletter, *International Trade Alert*, which lists quotas and logistics. It is available only by membership in the association. To receive a complimentary copy, write to the organization at 11 West 42nd Street, 30th Floor, New York, N.Y. 10036; or call (212) 944-2230.

Public Displays

I would like to produce a line of T-shirts and bumper stickers to sell nationally. Where would I obtain information on starting this project?
D.C., Tampa

Souvenirs and Novelties Magazine, published by the Souvenirs and Novelties Trade Association, in Philadelphia, is your best resource. The journal, available at many newsstands for $5, is a suppliers' guide for the souvenir industry. It provides new-product listings and information on start-up expenses, distribution costs and trade shows.

A good way to break into the business is to become listed in the magazine's buyers' guide. For more information, call (215) 925-9744 or write to the association's president, Scott Borowsky, at 401 North Broad Street, Philadelphia, Pa. 19108.

Off-Campus Food And Fuel

I am interested in operating a gas/grocery store in a college town where student enrollment is more than 25,000, and the students come primarily from upper-middle-income homes. How does one find a list of such towns?
E.N., Washington, D.C.

References such as *Peterson's Guide to Four-Year Colleges* ($15.95 paperback) and *Barron's Profile of American Colleges* ($13.95) provide figures on student enrollments, tuition and living costs and other useful information on U.S. colleges. These books are available at most bookstores and libraries or from the publishers: Peterson's Guides, P.O. Box 2123, 166 Bunn Drive, Princeton, N.J. 08543 (800-338-3282); and Barron's Educational Series, 250 Wireless Boulevard, Hauppauge, N.Y. 11788 (800-645-3476).

The College Board, an educational association in New York City, says statistics on socioeconomic backgrounds of students at specific schools are not generally available. You may call the College Board at (212) 713-8000 for more information. Data in the reference books above should provide guidelines on that point, however. NB

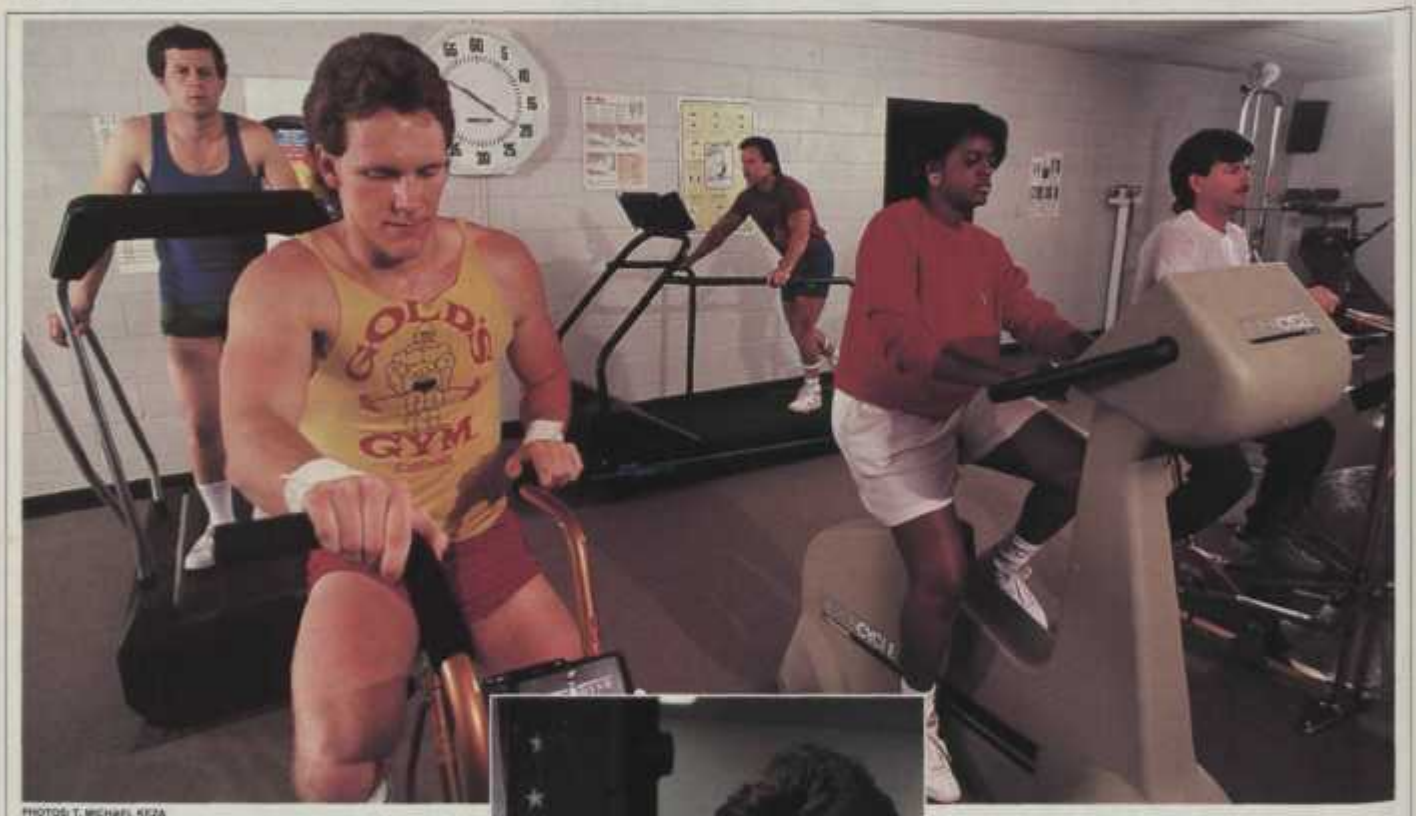
How To Ask

Have a business-related question?

Write to: Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

Does Wellness Really Work?

By Marc Leepson



PHOTOS: T. MICHAEL KEZA



After work it's workout time at the McKee Baking Company's fitness center, near Chattanooga. Dr. Alice Kazanowski, left, checks a weight.

Wellness became a catchword of preventive medicine in the mid-1970s, particularly as companies began offering employees various health and fitness programs to help curb rising medical costs.

In recent years, tens of thousands of businesses have instituted wellness programs that range from distributing health-oriented newsletters to installing high-tech fitness facilities on the premises. Nearly two thirds of all companies with 50 or more employees offer some type of wellness activity, according to a federal government survey.

But even as the number of wellness programs has grown, debate goes on about whether they work.

On one side are those who contend that wellness programs are boons for employers as well as employees. Proponents say that wellness programs make workers healthier and happier, and, therefore, more productive. The advocates also maintain that such programs improve a company's bottom line because healthy workers need less medical care—which translates into lower medical-insurance costs.

"We found that we can lower general overall group medical claims costs by 20 percent, and by 50 percent for high users," says Dr. Allen Douma, vice president of Options and Choices, Inc., a Greensboro, N.C., company that markets wellness programs to businesses.

Wellness skeptics, on the other hand, say that comparatively few employees take advantage of wellness programs, and that those who do take part are not the ones who most need wellness efforts for bettering their health, but rather the workers who have been health-conscious and healthier from the outset. Furthermore, critics warn, wellness programs do not necessarily reduce a company's costs.

"Nobody has shown [that] corporate wellness programs save money," says Louise Russell, research professor of economics at Rutgers University's Institute for Health Care Policy and Aging Research.

Although no definitive study has linked wellness programs directly to cost savings, a growing body of data indicates medical costs are lower for health-minded workers. A recent study

Marc Leepson is a free-lance writer in Woodbridge, Va., who writes regularly about health issues. He is the author of Executive Fitness.

Company-sponsored health and fitness programs may make employees feel better, but do they reduce medical costs?



PHOTOS: T. MICHAEL KEZA



From "body-sculpting" with hand weights, above, to water aerobics and pool play with their children, McKee workers get physical about wellness.

undertaken by the Center for Corporate Health Promotion, Inc., a subsidiary of the Travelers Insurance Company, for example, compared the insurance rates and health habits of nearly 4,700 workers at eight companies in Ohio. The study concluded that there was a "clear relationship between employee health habits and their health-insurance rates. ... The higher the health score, the lower the health-insurance costs."

One aspect of the question is undisputed: the rapidly rising costs of medical care and health-insurance premiums. The nation's medical bill has more than doubled since 1980, from $248 billion to nearly $500 billion in 1987, according to the federal Health Care Financing Administration. By 2000, the agency estimates, the national medical-care bill will top $1 trillion.

Private sources, primarily businesses, pay over half of the nation's medical-care bill. Last year private spending on medical care totaled an estimated $294 billion. A heart bypass operation, for example, costs from $25,000 to $40,000; even a minor heart attack will cost a company thousands of dollars in lost time and extra insurance claims.

It is to stem such costs that many of the nation's largest corporations have been instituting wellness programs. Among the companies are Black & Decker, Chrysler, General Electric, Honeywell, IBM, Johnson & Johnson, Kimberly-Clark, Kraft, Motorola, Shaklee, Tenneco and TRW.

Many of the programs, such as Kimberly-Clark's Health Management and Johnson & Johnson's Live for Life, give employees extensive medical screenings and then offer series of programs that typically include nutrition counseling, fitness evaluation, smoking cessation, blood-pressure control and weight reduction. Many programs are free for employees, and most of the components are offered in the workplace.

But wellness efforts are by no means confined to the nation's big businesses. Many small and medium-sized companies also offer wellness programs.

Take the McKee Baking Company, which employs some 2,100 people in its main facility in Collegedale, Tenn., just outside Chattanooga. McKee began a wellness program in 1985 that features the standard health screenings as well as heavily subsidized programs in stress control, weight management and smoking cessation.

The centerpiece of the McKee pro-

Does Wellness Really Work?



PHOTO: T. MICHAEL KEZA

During a fitness screening, a skinfold caliper is used to determine the percentage of fat in a wellness-program participant's body.

gram is a fitness center located within a five-minute drive of the plant. The center is owned and operated by the company and can be used for a nominal fee by all employees and their families. "Over half our employees are enrolled as members" of the center, says Lynn Carraher, McKee's wellness coordinator. The center features indoor and outdoor pools, a gymnasium, two racquetball courts, a large aerobics room, free-weights and weight machines.

Concerns over employee welfare were uppermost in McKee's decision to make so major a commitment to wellness.

"Saving money may have been a factor, but management basically has a commitment to personal fitness and wellness and wants the employees to be healthy and happy," Carraher says.

"There was some eye toward cost-containment," adds Eva Lynne Rennard, McKee's communications manager. "But historically, management has been very people-oriented."

McKee has not made a thorough cost-benefit study of its wellness program, Rennard says, but there are indications that some elements of it—particularly the health screenings—have resulted in large medical-bill savings.

"We've had situations in screenings where we've found serious illnesses in the early stages," Rennard says. "We feel that these screenings have saved us some big doctor bills down the line by catching [the illnesses] in the early stages."

The Times Publishing Company in St. Petersburg, Fla., which owns the St. Petersburg Times and several affiliated companies, started its wellness program in 1982. The program offers employees, retirees and family members extensive health screenings and a series of preventive health programs. These include the now-standard wellness components: smoking cessation, weight reduction, stress management and exercise programs.

The company decided to start its preventive program primarily because of rising health insurance costs. "In the five years before the program began, health-insurance claims rose 90 percent," says Diane Constantino, the program's first coordinator. "When we looked closely, we found that the root of the problem was lifestyle-oriented—whether it was ulcers, high blood pressure or whatever. We decided that it was time to do something positive, something preventive."

Company officials believe that the wellness program has helped to lower health-care costs. During the program's first 18 months, Constantino estimated, the company saved some $200,000 in health-insurance costs. "We're happy with it," says Dianna Williams, controller of the St. Petersburg Times. "It's a fairly low-cost program, and the staff uses it quite a bit."

Though wellness programs such as those at the St. Petersburg Times and McKee Baking appear to be saving the companies money in health-care costs, the jury is still out on the question of whether every wellness program makes economic sense.

On the other hand, there are indications that companies can benefit from wellness programs regardless of whether they save money. "Employees in wellness programs consistently respond that they feel something beneficial is going on," says Thomas Golaszewski, director of research and evaluation for the Center for Corporate Health Promotion. "Their attitude toward the employer is improved because of this service that is being provided—whether it helps with medical costs or not." NB

What is a Best Western?



"My home office wherever I travel."

The right place at the right price.

Make reservations at any Best Western, see your travel agent, or call toll-free

1-800-528-1234

Best Western
INDEPENDENT WORLDWIDE LODGING

"World's largest chain of *independently owned and operated* hotels, motor inns and resorts"

Circle No. 10 on Reader Service Card.

Business, Family-Style

Beyond Scandal

By Sharon Nelton

My colleagues in the news media love a good fight—especially a good family-business fight. They were quick to pounce when Doug and Susie Tompkins, founders of the famous San Francisco clothing firm Esprit de Corp., took up separate residences. Or when California vintners Ernest and Julio Gallo sued their cheese-making brother, Joseph, in a dispute over the Gallo name.

If we're honest about it, most of us adore gossip, and these are juicy stories—the stuff that "Dynasty" is made of. In truth, one of the reasons I love covering family business is that little else offers so much drama.



PHOTO: TING CHAO

What could be more absorbing than a subject encompassing wealth, love, sex, power, greed, rivalry, envy, success, achievement, hope and dreams? When you combine families and business, you are dealing with a magnificent panoply of human emotion and behavior.

But often I get phone calls from other journalists who want leads for family-business stories, and what they usually are interested in is scandal and failure. Some seem to want to take a poke at the high and the mighty who have fallen.

Not long ago, I received a call from a Los Angeles business writer looking for couples whose marriages had gone sour because they were in business together. When I told him I could point to many successes, he scoffed. "Anybody can find successes," he said.

Recently, a Washington reporter called, looking for examples of marriage failures, specifically those that harmed the health of a business. Her editor was intrigued by the Esprit case and wanted more instances.

Success sells, but downfalls apparently sell even better.

Yet the more I pursue family business, the more I am captivated not by failure but by the ability of so many families to mix and maintain family and business life.

I have seen power struggles between children and parents and between siblings. I have met business owners who fired their children or spouses. I know of an entrepreneur whose fiancée ran off with his son—until then, all of them had worked in the business together.

But I also have seen families hold their business and their love together after the disabling illness of a spouse, a financial setback or a bitter dispute. I have seen them survive sibling rivalry. I have seen at least one business couple separate, divorce and marry each other again.

What's amazing is not the descent of a human being or a business, but that often, despite disaster, businesses find some way to go on.

And so do families.

It's those stories—stories of human effort to make enterprises and relationships work—that we need to be telling.

Sharon Nelton, a Nation's Business *senior editor, specializes in writing about family firms. She is the author of* In Love and In Business *(John Wiley & Sons).*

Turning Children Into Managers

By John L. Ward and Laurel S. Sorenson

Jeff Hawk felt there was a place for him in the family business. But he didn't take it.

Instead, after receiving his master's degree in business administration, he headed for Ford Motor Company. He worked two years there as a financial analyst before returning to his family's company, Superior Metal Products, Inc., a maker of decorative metal trim, in Lima, Ohio.

"I had to prove to myself—and to anyone else—I could get hired outside my family," explains Hawk, 30. "That does something for your self-esteem."

According to his father, Leo Hawk, president and chief executive officer of Superior, Hawk's outside experience has also helped the company. "Jeff has financial discipline," says the senior Hawk. "And he is good at managing money. That's Ford's training."

The Hawks have learned one of the best-kept secrets in training a new generation of family managers—encouraging them to work outside the family-owned company first.

There, offspring broaden their experience and obtain new talents. They get the chance to stub toes on someone else's turf. They acquire a greater sense of self-worth. And they learn such important emotional lessons as the grass is *not* always greener on the other side, and not all bosses are like Dad—some are worse.

And when they return, their presence revitalizes the family business.

Transforming yesterday's children into tomorrow's managers doesn't start with outside work experience, of course. This process begins when they are quite young.

Children learn work habits by mowing lawns or babysitting. They gain respect for the family's business when family rules don't permit playing on machinery or disturbing employees. They absorb leadership and teamwork skills through activities such as scouting and sports.

Such lessons continue through col-

Turning Children Into Managers



PHOTO: BILL WAUGH

Jeff Hawk, at left with his father, Leo Hawk, honed his management skills at Ford Motor Company before joining his family's firm.

lege. Then, after graduation, parents are wise to boot potential successors from the nest for three to five years.

Almost any outside employer will do for this phase of a young person's development, although working in a larger company in a different industry is best. That's partly because a well-run, large company yields great opportunities for learning. Also, in another industry, family connections can't grease the way. Offspring are truly on their own.

Almost any job will do, too, but the greatest benefits come from jobs that impart specific skills. Especially useful are sales, marketing analysis, computer systems and inventory management.

If for some reason sons or daughters can't work outside, they should find a way to learn comparable lessons.

Alternative avenues include spending time with people from other family businesses, visiting other companies, continuing their education and becoming active in civic, trade and professional groups.

Bob Nowak, 26, controller at the Detroit-based Variety Vending and Food Service, Inc., is a good example of someone who is crafting his own "outside experience" from inside his uncle's and father's business.

Nowak's strategies range from regular lunches with business contacts to volunteer work for the Better Business Bureau, where he arbitrates consumer disputes.

Making tours of other companies, where he is on the lookout for good ideas, is his favorite tactic. "You bring back more to your organization," Nowak says.

Many parents are afraid that these techniques—either widening networks, as Bob Nowak is doing, or working outside the company, as did Jeff Hawk—will lure offspring away from the family business.

But that shouldn't be a concern. Typically, successors realize that the family business is better than they had thought. Outside experience actually affirms their commitment to the family's business.

Successors are then ready for the next phase of development: taking more responsibility inside the family business by managing projects or managing others.

They are ready to learn more about the company's inner workings: its strategy, history, philosophy and culture. These lessons, in turn, will prepare them for their final training: learning how to handle the emotional requirements of leading a company.

But that's another column.

John L. Ward is the Ralph Marotta professor of private enterprise at Loyola University of Chicago and a consultant to family businesses. Laurel Sorenson is a Chicago-based writer. They wrote the book Keeping the Family Business Healthy *(Jossey-Bass, San Francisco).*

For Your Calendar

Aug. 28–Sept. 1, Philadelphia

"The Next Generation of Family Members in Family-Held Businesses," a seminar for young adult family members and their spouses. Issues to be covered include whether to work in the family firm and sibling rivalry. Write or call the Family Business Division, Sol C. Snider Entrepreneurial Center, Suite 3200, Steinberg Hall-Dietrich Hall, The Wharton School, University of Pennsylvania, Philadelphia, Pa. 19104; (215) 898-4470.

Sept. 15–16, Atlanta

"Managing the Family in Business," a course on succession planning. The program will cover skills and leadership abilities needed to carry on the business. It will also show how family traditions and values can be detrimental to the business. Call or write Education Extension, Georgia Institute of Technology, Atlanta, Ga. 30332-0385; (404) 894-2547.

Oct. 2–6, Philadelphia

"Women in Family-Held Businesses," a seminar for women who wish to develop careers in their families' companies. It will address issues such as male domination in the workplace and balancing the needs of families with the needs of the family business. Write or call the Family Business Division, Sol C. Snider Entrepreneurial Center, Suite 3200, Steinberg Hall-Dietrich Hall, The Wharton School, University of Pennsylvania, Philadelphia, Pa. 19104, (215) 898-4470.

Oct. 26–28, Boston

"Helping the Family Business Manage Succession," the annual conference of the Family Firm Institute. New members are welcome to this professional organization, made up of lawyers, accountants, management consultants, bankers and others who serve family businesses. Write or call FFI, P.O. Box 476, Johnstown, N.Y. 12095; (518) 762-3853.

Damaging By The Numbers

By Sharon Nelton

If you are thinking of selling the family firm or you are getting ready to pass it on to your heirs, take a look at a book called *Managing By the Numbers* (Addison-Wesley, $19.95). It will give you not only food for thought but also second thoughts.

For most founders, a business is to be shared with families, employees and communities.

But authors Christopher Meek, Warner Woodworth and W. Gibb Dyer, Jr., warn that when a founder must retire or withdraw, a company can fall into the hands of absentee owners. And, they contend, the trend away from local ownership and entrepreneurial control has "laid waste many of America's industrial communities."

Absentee owners, say the authors, bring in professional managers, "whose roots are in the M.B.A. program instead of in the factory" and who go " 'by the numbers,' treating workers and businesses alike as little more than financial assets."

Where employees and owners once shared the same culture and community, absentee owners now occupy distant corporate offices and are tied to a national corporate network. The managers seldom have more than a general understanding of the technical side of the business they manage. Often, they don't even live locally, choosing instead a nearby town or city more suited to their lifestyle.

"The message communicated to the employees is that both they and their community are 'backward,' " say the authors, all on the faculty of the Department of Organizational Behavior at Brigham Young University.

They argue that professional managers often focus on short-term gains by manipulating the company financially, frequently saddling it with debt. Often they move on before a company collapses, leaving unemployed workers in their wake.

Turning the company over to an heir will have similar consequences if the heir is not competent to run the company or is not interested in it.

When a competent and willing heir is not available, founders are urged to follow a strategy that converts their companies to employee ownership.

Meek, Woodworth and Dyer cite Lincoln Electric Company of Cleveland and Applied Plywood Corporation of Alexandria, Va., as examples of companies that succeeded.

Managing by the numbers is not enough, these authors argue. Instead, when a founder must retire, employee ownership may help assure a company's long life and its vital role in the community.



ILLUSTRATION: JOHN PACE

The Other CEO

We often hear descriptions of the typical characteristics of male business founders—they're said to be strong-willed, ambitious, energetic, charismatic, intelligent, dominating, intuitive, impulsive.

But what about the founder's wife? Family-business specialists tell us she plays a very influential, behind-the-scenes role in the company. What is she really like?

Gerald Le Van, a Baton Rouge, La., family-business consultant, refers to her as "Mrs. Entrepreneur." She probably worked in the business in the early days, when her husband couldn't afford to pay anyone, he says. "Though now affluent, she may still resent the fact that she has never been appropriately compensated or otherwise recognized for her contributions to the business."

Le Van makes these additional observations:

- The founder's wife may no longer work in the business, but she hasn't lost interest. "She still has strong opinions about business matters and frequently favors her husband with them. He may pretend not to hear or care, but often he listens more closely than it appears."
- Family businesses seem to require a "chief emotional officer," and the founder's wife often plays the part of that "other CEO." In planning for succession, it is wise to look for her successor in that role.
- Because entrepreneurs are often poor communicators, there may be a communications gap between the founder and the rest of his family, especially as he grows older. His wife may fill this void, with the generations communicating through her.

Le Van urges that a wife be recognized for her contributions to the business and that she be involved in succession planning.

"Unless satisfied with the succession plan," he says, "she can probably sabotage it." NB

A Message To Employers:

Be A Dream Maker!

Help your shipping clerk earn an accounting degree.

Give your sales manager's daughter her shot at becoming a marine biologist.

Or revive a neglected dream of your own.

CONSERN
LOANS FOR EDUCATION
U.S. CHAMBER OF COMMERCE

There's no magic. Just show your employees ConSern: Loans for Education. Flexible, low-cost, and secured only by your employee's own good credit. With below-market interest rates and fifteen year payment schedule.

There's no paperwork for you. No liability to your business. And participation fees begin at just $25 for a company with 10 or fewer employees.

To participate all your company has to do is be a member of the U.S. Chamber of Commerce.

To find out more about the Chamber ConSern program, call toll-free 1-800-338-7196 (in Washington, D.C., 202-234-2985).

Circle No. 53 on Reader Service Card.

Making It

Can a firm thrive by developing a bigger video picture, a cure for dirty shoes or an antidote for terrorism? Stay tuned.



PHOTO: T. MICHAEL KEZA

Bright Ideas

Arthur R. Tucker's Florida-based company, Chromalux, turns out large-screen projectors that can make a video image both big and sharp.

"They'll be pattin' the shovel on my face when I retire," says Arthur R. Tucker, president of Chromalux Corporation, of Titusville, Fla. Indeed, at an age when most of his peers are throttling back, Tucker, 65, is charging ahead with his fourth successful business venture.

Tucker founded Chromalux in January, 1987. It designs and manufactures compact, portable machines that will project a picture from 4 to 20 feet wide, with a resolution superior to the best television sets on the market. These large-screen projectors, as they are described in the electronics industry, can be used for both video and computer-data display. They are marketed mainly to businesses and schools for teleconferencing, industrial and vocational training, boardroom presentations and computer graphics displays.

The fledgling business will gross about $2 million in fiscal 1988. Chromalux lost $234,000 in its first year—Tucker attributes that to engineering and development expenses—but, he says, it is now turning a profit. He has licensed Canadian, European and Asian companies to make Chromalux products.

It was Tucker's improvement on the cathode ray tube (CRT) assembly that made large-screen projection practical. He invented the liquid-cooled CRT in 1968 for military applications; his cooling technique permitted a picture to be magnified many times with high brightness and resolution.

Tucker is a native of Oklahoma. Soon after the Korean War, in which he flew combat missions, he went to work as a test pilot for a helicopter firm in Danbury, Conn., where he invented a flight simulator.

Before long, he left to start his own company, Avatronics, to manufacture simulators. He took the firm public, renamed it Dalto Electronics and built it into one of the most respected businesses in its field.

After his "retirement" from Dalto in 1968, he moved to Fort Lauderdale, Fla., where he founded Colony Airlines, flying passengers and cargo between Florida's Gold Coast and the Bahamas. When the Bahamian government formed its own national airline, he "retired" again, in 1972.

His liquid-cooled CRT inspired his third venture: Electronic Systems Products, Inc., in Titusville. Before his patents ran out, he took the company to $5 million in sales, sold it in 1983 and—you guessed it—"retired."

No sooner had his no-compete clause expired in 1985 than Tucker launched Display International to manufacture the Chromalux high-resolution projector. Major companies like Westinghouse, responding to word-of-mouth endorsements, snapped up the projectors as fast as Tucker could make them.

He sold Display International's assets to his new public company, Chromalux, last year. Tucker has expanded the company's product line to include a high-definition model for military use and a theater projector that can throw a high-definition picture up to 40 feet wide.

But Tucker's pride and joy is the briefcase-sized "Shrimp," a very small projector that will throw a high-resolution picture from 4 to 25 feet wide. "It will be the world's smallest industrial projector, which will create a whole new market," he says. He expects the Shrimp to be available by the end of the year.

—Jack Wynn

The Steel-Plate Special

The car weaves back and forth across the road as it speeds toward the entrance to the compound. Red-and-white-striped gates extend across the roadway, red lights flash on a large stop sign. But the car keeps coming. A uniformed guard dashes inside his shack and punches a large red button. Up pops a 3-foot-high steel plate that has been lying flat on the road—the car's way is blocked.

By this time, the car is too close and traveling too fast for the driver to stop in time to avoid hitting the plate. No matter: This driver is a terrorist on a suicide mission, and his car is laden with explosives. His car strikes the barrier at 50 miles per hour—and stops.

For Barrier Concepts, Inc., a 4-year-old Oak Ridge, Tenn., firm specializing in unusual security devices, this hypothetical situation is one that could become reality any time. President and cofounder William T. Crisp, 40, says that if his company's Vehicle Surface Barrier (VSB)—the steel-plate device—could have been used on that infamous Sunday in 1983 in Beirut, "241 Marines would be alive today."

Unfortunately, the device did not exist then. Crisp and partner Jack D. Elkins, 53, first sketched it on a menu card at a local pizzeria in June, 1986.

On a trip to Washington a month later, they sold their idea to the Navy, without the help of working drawings, models or performance data. With funds borrowed from their bank against the Navy's purchase order, they subcontracted with an Oak Ridge engineering firm to design the barrier to the Navy's specifications, and with another firm to build the prototype.

The VSB was an overwhelming success: In a test, not only did the barrier stop a 15,000-pound truck moving at 50 miles per hour, but it also withstood any significant damage (the truck was destroyed and had to be carried away on a forklift). Indeed, the VSB worked again without repair, and thus exceeded the Navy's specifications, which did not require re-use. Says Crisp, who proudly shows an eight-minute videotape of the actual tests: "I knew it would work, but I expected it to be destroyed."

That same unit has since been deployed at a Navy installation somewhere in the Persian Gulf region.

The VSB is surface-mounted, meaning it is not anchored to anything; it lies flat on a roadway or other surface. It can be moved easily—carried on a flatbed truck and set in place by a crane. When the device is activated, thick steel spikes plunge into the pavement as the steel plate pops up, anchoring the VSB temporarily. The holes can be patched afterward, and the 33,000-pound VSB put in place again.

So far, Barrier Concepts has sold a total of four VSBs at $54,000 each—one to the Navy and three to the U.S. Department of Energy. Further sales to the Navy have been slowed by what salesman G. Michael Parten, 39, calls its "long procurement cycle," but the company expects to start selling more units there, and to other branches of the military, later this year.

Crisp, who spent 14 years in banking, Elkins, a nuclear physicist, and Richard A. Sheppard, 68, a Tennessee coal-mine operator, founded Barrier Concepts in 1984. Sheppard and Elkins, still grieving over the Beirut tragedy, approached Crisp with general ideas for security devices. They needed Crisp's expertise in finance and his public-relations and communications skills.

Their first perimeter security device was a Chinese thornbush featuring 4-inch spikes camouflaged by shiny green foliage and dogwoodlike flowers. They call it "PT"—for pain and terror. "It will puncture tires and scrape enamel paint off cars," Crisp declares.

Parten says the Marine Corps bought 21,000 seedlings and plans to use tall PT hedges to replace barbed-wire-topped chain-link fences around its bases. Parten has also sold PT seedlings to Washington National Airport, the National Aeronautics and Space Administration and General Motors' new Saturn plant in Spring Hill, Tenn.

Crisp says Barrier Concepts would not be in business today without assistance from Martin Marietta Corporation's Tennessee Innovation Center, a business incubator in Oak Ridge.

Crisp and his partners "fumbled around for two years," he says, working out of garages and basements before receiving the first of several cash infusions from TIC. The Navy deal came soon thereafter. In all, TIC has invested $135,000 in Barrier Concepts and holds a 29 percent interest.

In November, 1987, Barrier Concepts received $250,000 in venture capital from the Memphis-based Private Investment Consortium, which took a 21 percent share of the company. Barrier Concepts' 1987 sales topped $300,000, and Crisp expects to start turning a profit next year.

—Bill Stack

PHOTO: MICHAEL PATRICK—PICTURE GROUP



William T. Crisp and his partners in Tennessee-based Barrier Concepts conceived the Vehicle Surface Barrier to save lives in terrorist attacks.

PHOTO: BARRIER CONCEPTS

Free-Spirited Enterprise

In Vino Veritas

Wine lovers can test their knowledge of the grape through The Wine Connoisseur, A Game of Good Taste. This trivia game, patterned after Trivial Pursuit, is the creation of Robert and John Pfingsten and is marketed by BDJ Enterprises of Tampa.

Players travel along a burgundy-colored grapevine, answering more than 1,200 multiple-choice and fill-in-the-blank questions on 200 cards.

What is the estimated worth of California's grape crop? ($900 million.) What's a Nebuchadnezzar? (An oversized bottle.) Even if you know the answers, though, you may have trouble. A directive may send you to help with the harvest, causing you to lose your turn.

The Wine Connoisseur costs about the same as a fine bottle of wine: The retail price is $35. The game is available at selected stores or by mail from BDJ Enterprises, P.O. Box 261328, Tampa, Fla. 33685; (813) 884-4042.

Go To Siberia, Do Not Pass Go

Throw the dice and enter the Politburo. Throw again and land in Siberia.

Such are the risks in working your way to the Kremlin in Russian Roulette, a board game created by Myron Beckenstein of Columbia, Md., with his 11-year-old daughter Amanda.

Players throw dice and take cards that direct them around the board. A player who gains 40 years of experience may reach the top.

Players can accumulate one year's experience by getting a letter published in *Pravda*, or two years' by getting a promotion. But there are dangers along the way. A player whose five-year plan is declared a disaster will lose two years' experience, or, even worse, one who's accused of plotting will be executed.

Beckenstein produced the game independently. Russian Roulette is available by mail from The Other Leading Brand Company, 6281 Tufted Moss, Columbia, Md. 21045 for $24.50.

Coin-Op Pop Art

Drop in your coins and take out a work of art—no bigger than an ice cream sandwich.

The creation of conceptual artist Ona Lindquist of New York, Objets Vend'art is a coin-operated art gallery. Refurbished 1957 Vendo Ice Cream machines offer whimsical works by Lindquist and two artists of the month. One month a door labeled Feel-o-Mat offered pieces of rubber backed with fur, and Red Rubber Sundae dispensed nonedible treats.

Lindquist says, "Anyone with a good idea can make a good artist." For $1.25 a pop.

Nation's Business
REPRINTS

Current Reprint Articles

BUSINESS PLANS: MYTH AND REALITY (#8718) Learn how business plans can enhance your chances for success. (Page 16)

HOW TO BE A GREAT BOSS (#8719) Want to be a better boss? This article will aim you in the right direction. (Page 24)

IF AT FIRST YOU DO SUCCEED (#8711) Learning to follow your own act can mean the difference between continued success and disaster. (June, Page 14)

MEET YOUR NEW WORK FORCE (#8714) America's work force is changing. Learn why your company must adapt to these changes to meet the challenges of the future. (July, Page 14)

SINGLE REPRINT QUANTITIES/RATES

1 to 9 copies	$1.99 ea.
10 to 29 copies	$1.49 ea.
30 to 99 copies	$1.19 ea.
100 to 999 copies	$.99 ea.

Special Reprint Packages

FAMILY-BUSINESS PACKAGE #8705 ($7.96)

MANAGING-EMPLOYEES PACKAGE #8706 ($9.95)

ENTREPRENEURIAL-MANAGEMENT PACKAGE #8707 ($7.96)

TAX-REFORM PACKAGE #8708 ($9.95)

COMPUTER PACKAGE #8671 ($9.95)

FRANCHISING PACKAGE #8668 ($9.95)

SMALL-BUSINESS FINANCE PACKAGE #8709 ($9.95)

REPRINT #	PRICE	QUANTITY	TOTAL

To order call (202) 463-5877. Or mail this coupon to Nation's Business, Reprint Manager, 1615 H Street, N.W., Washington, DC 20062.

☐ Payment Enclosed ☐ Bill Me
☐ Bill my credit card ($5.00 minimum)
☐ AE ☐ MC ☐ VISA ☐ Choice

Card Number Exp. Date

Signature

Name

Title

Address

City State Zip

Gus Blythe keeps his SecondWind company lean and mean by contracting out many operations to handicapped workers such as Pearl Label Dingwall.



PHOTO: T. MICHAEL KEZA

The Sweet Smell Of, Well . . .

Many young people, exhilarated by the way they feel when they operate a lemonade stand, realize then that business is in their blood. Gus Blythe, founder, president and chief executive officer of the SecondWind company, was not that way. As a youth attending school in Ohio and Indiana, says Blythe, "I didn't know what I wanted to do." Except play football.

In 1979 football drew Blythe to the West Coast, where he enrolled at California Polytechnic State University at San Luis Obispo as a wide receiver and agriculture major.

Even as late as the beginning of his third year at Cal Poly, Blythe says, "I was still just biding time" in search of an occupation.

After the opening game in his junior year a back injury led Blythe to enter the realm of business as a salesman at Copeland's, a chain of 27 sporting-goods stores, most of them in central and northern California.

From this inauspicious start, Blythe—who at 27 looks fit enough to appear on the gridiron professionally—has become a hero to athletes, nonathletes and would-be athletes who dislike having dirt-stained, sweat-soaked athletic shoes strewn around the house.

And Blythe and his flagship product, a shoe cleaner and deodorizer, have become favorites of yuppies who would no more be seen commuting to and from work in soiled Reeboks than in polyester slacks.

Like many successful entrepreneurs, Blythe owes some of his success to being in the right place—a sporting-goods store—at the right time—the early days of the fitness boom.

Blythe's own quest for clean, sanitary athletic footwear had led him to buy products that turned out to be simply cans of carpet- and fabric-stain remover labeled as shoe cleaner, he says; he had not found a safe, effective cleaner. "Not one cleaner then being sold cleaned an entire shoe—the inside as well as the outside, the laces and the sidewalls," Blythe says.

Convinced that an all-purpose cleaner would thrive in the midst of the booming market for athletic shoes ($500 million in annual sales), Blythe met in August, 1982, with Lloyd Cotsen, a family friend and president of the Neutrogena facial-soap company. Cotsen gave a Neutrogena chemist permission to moonlight for Blythe's fledgling company. Blythe's sister and a local bank provided operating capital.

The chemist's mission was difficult, says Blythe: Produce a formula that isn't harmful to the skin or the shoe and does a good job of cleaning and deodorizing. Blythe tested prototype cleaners on shoes returned to Copeland's, and after three months, he found one that satisfied him.

Blythe bottled the first 4,000 4-ounce units of the product in his kitchen. Plexiglas displays, each holding 12 bottles of cleaner, reached Copeland's and some Athlete's Foot stores in Southern California on December 16.

Sales were brisk. One store sold 144 units in four days; every store ran out of the product by Christmas.

Blythe admits to "thinking big right from the start. I remember saying to myself, if one store can sell 144 units in 10 days and there are 50,000 sporting-goods stores out there, maybe the [shoe-cleaner] market is even bigger than I thought."

He doesn't admit to being discouraged during 1983, SecondWind's first full year of operation, when sales totaled only $50,000, and his requests for shelf space were repeatedly met with skepticism from store owners and managers who recalled the inflated claims for other shoe-cleaning products. Blythe did have to give away a lot of free samples, though, before securing "the real estate next to shoes that is vital to sales of the product."

Blythe's determination is paying big dividends today. Merchants are ringing up $4 million in annual sales of the 10th generation of SecondWind cleaner/deodorizer and other, more recently developed SecondWind products—leather conditioner, deodorizer spray and sole-repair material.

Though SecondWind's sales have grown rapidly over the past five years, its staff has remained small, around 10 people. Blythe keeps SecondWind lean and mean by contracting out many operations, including packaging and shipping. Those two services are performed by North County Industries, of Paso Robles, Calif., which employs the handicapped.

Blythe maintains that keeping SecondWind profitable requires him to be a jack-of-all-trades, but his love of marketing is readily apparent: "Selling the product and designing the shelves and the packaging are quite a bit more fun than worrying about [profit] margins and costing."

Blythe believes SecondWind's sales ultimately will equal about 10 percent of athletic footwear sales—and he believes that those sales will remain strong even if the fitness boom goes bust, since so many people now buy for reasons other than participation in sports.

"As long as the majority of athletic-shoe buyers are nonserious athletes [and] as long as there are mothers with children who dirty their shoes," he says, "I see a bright future for us in the marketplace."

—Albert G. Holzinger

A Room At The Inn



QUEEN VICTORIA INN; PHOTO: SAL DIMARCO JR.—BLACK STAR

By Michael Barrier

Travel, the journalist Roy Reed has written, "is important, but it is not at all glamorous. And, after a few years, incessant travel tires and diminishes a man as few other exertions can."

Murray Burns of Los Angeles felt the truth behind Reed's observation when he was traveling constantly in his role as a management consultant. "I was in St. Louis one night," Burns recalls, "and then in Detroit the next night, and going to be in Atlanta the third night. The middle night, when I was in Detroit, I was staying at a large hotel, the same brand I had stayed in the evening before. I got up in the middle of the night, went over, opened the bathroom door—and walked into the closet. They had started to look all the same. I was going mad."

Today's hotel industry holds a paradox. At no other time, probably, have so many hotels done so much to make business travel easier and more comfortable—to banish the turmoil that, as Reed says, "tires and diminishes" the business traveler. And yet, because of their size and complexity large hotels find it inherently difficult to connect with their guests on a personal level. Try as they might, they cannot be like home—and home is the balm that business people like Murray Burns, worn by constant travel, really need. That is why a small but apparently growing number of those travelers have been seeking out alternative lodgings.

Take Stephen Walker, the San Diego-based head of Sales Communications, Inc., which prepares advertising and promotional materials for major food manufacturers. He estimates that he spends 50 percent of his time on the road, mostly in California but with some trips to other parts of the country.

Walker usually stops at hotels, but last year, when he was making almost-weekly trips to Los Angeles, he stayed at a large, antique-furnished Victorian house in a residential area just north of downtown. Walker had his own key, so



PHOTO: MIKE WHEELER—BLACK STAR

Once regarded mainly as quaint weekend retreats, bed-and-breakfast inns like the Eastlake, near downtown Los Angeles, now attract some business travelers.

A Room At The Inn

What prepares you to be an innkeeper? Dane Wells (left, showing guests to their room) worked in retailing and economic development in Philadelphia for 20 years before he and his wife, Joan, opened the Queen Victoria Inn in Cape May, N.J., in 1981. She was executive director of the Victorian Society in America. "It's a career for us," he says, "not a hobby."



PHOTOS: SAL DIMARCO JR.—BLACK STAR

he could let himself in no matter how late he arrived. It was, he says, "so easy, like coming home from work."

When Walker went downstairs for breakfast, he took his seat at a long table with perhaps half a dozen other guests, often including several who were, like him, traveling on business. However homelike it might have appeared, the building where they all were staying was itself a business—the Eastlake, a bed-and-breakfast inn.

B&B inns are notoriously difficult to define, but the term is usually applied to small inns—anywhere from 4 to 20 rooms, often in renovated old homes—that serve breakfast and, rarely, other meals. Once concentrated in California and the Northeast, inns have sprouted all over the country, until now they probably number several thousand.

At most B&Bs, the owner lives on the premises or nearby and is actively involved in running the inn and tending to guests' needs. The guests at the Eastlake are joined at breakfast most mornings by one of the two owners, who knows them all by name and in many cases knows a lot about their families and their work: Murray Burns, management consultant turned innkeeper.

Burns, like Walker, became aware of inns when he was trying to find an antidote to the stress of constant travel. He recalls that when he first stayed at an inn, the Bed & Breakfast Inn in San Francisco, "I figured out quickly that I was paying a premium for staying in a place where I didn't have a TV and a telephone. I decided almost immediately that it was worth it." The innkeepers, he says, "got to know all my quirks and idiosyncrasies. I'd walk in, and whoever was there would say, 'Welcome back, Murray, got your room all set for you.' "

As he stayed at more and more inns on his business travels, Burns began to see possibilities in a rental house that he owned with Planaria Price, a teacher and real-estate agent who was his neighbor in Angelino Heights, a largely restored Victorian neighborhood near Dodger Stadium. The building was large enough to be an economically viable inn, with eight guest rooms, and it was in good shape.

What finally persuaded Burns and Price to make the house an inn—the Eastlake opened in 1984—was its location. There were no other B&Bs so close to downtown and its hordes of business travelers, and, Burns says, "I felt that I knew the requirements of the business traveler as well as anybody."



Traditionally, most B&B guests have been other kinds of travelers—vacationers, couples dreaming of a romantic interlude, devotees of the quaint and charming. But B&Bs and business travelers have discovered one another, not just in big cities but even in resort towns. Inns fully occupied by tourists on the weekends may be all but empty during the week, and business travelers can fill that gap. For instance, the Old Yacht Club Inn, which was the first B&B in Santa Barbara, Calif., sometimes rents all of its rooms for midweek business meetings. Co-owner Nancy Donaldson, a locally famous chef, caters lunch and dinner as well as breakfast.

In Cape May, N.J., another resort town, there are now so many inns, so close together, that the inns have reached "critical mass," says Dane Wells, co-owner with his wife, Joan, of the Queen Victoria Inn: "We can do business conferences in Cape May, with inns, and have everybody about as close as they're going to be in a big hotel." At one such meeting, Joan Wells recalls, a large lighting company filled two inns with its salespeople to introduce them to a new line of Victorian-design lighting fixtures.

Business travelers are likelier to come to inns one at a time, though, and for reasons that echo Murray Burns' and Steve Walker's. One Eastlake guest says, for example, that "all of these pretty things just make you feel homey."

Blending that homey atmosphere with the business traveler's needs can be a little tricky. Like many other inns, the Eastlake has no phones in its rooms, and only one phone, in a downstairs hall, for guests' use. Many inn guests, like Walker, laud the lack of a room phone: "You can sort of turn the day off when you want to—throw the switch, so to speak, and retreat to your room." But for the business traveler who feels lost without a phone, five of the Eastlake's rooms have jacks.

And then there is that *terra incognita* for most American travelers: the shared bathroom. Many inns have them. On the Eastlake's second floor,

The co-owners of the Old Yacht Club Inn in Santa Barbara, Calif.—Nancy Donaldson, Sandy Hunt and Lu Caruso—worked together in the Los Angeles public schools. Donaldson, who was a high-school dean, opened the inn in 1980 after deciding she was "sick and tired of chasing kids around in my high heels."



PHOTOS: HERMAN KOKOJAN—BLACK STAR

for instance, six rooms share four baths. It isn't so bad, Burns insists: "People have got this idea of long corridors, standing in line, pounding on the door—'When are you going to be finished?' The reality is quite different."

But for the business traveler anxious to get on the road, even the possibility of gridlock outside the bathroom can be daunting. "I think any new inn opening should make every effort to have private baths, from the beginning," says Annette King, a Raleigh, N.C.-based consultant to fledgling innkeepers.

No one would balk at sharing a bathroom in a private home, of course, and that's the point: Many guests want a bed-and-breakfast inn to be both home and hotel, first one and then the other, as convenience dictates. Business travelers in particular, so familiar with large hotels and their services, can make demands that sharpen the inevitable conflicts between an inn's two roles.

"There's a fair amount of word-of-mouth advertising that works for you as you're able to meet the business traveler's requirements," Burns says. "But sometimes bed-and-breakfasts can't meet those requirements and remain the sort of business they want to be."

The Eastlake has tried to bend but not break in the face of business travelers' demands. Other inns have gone much further. One such is the Joseph Ambler Inn, an 18th-century home on 12 picturesque acres in Montgomeryville, Pa., a Philadelphia suburb.

The inn is owned primarily by Richard Allman, an insurance executive and



restaurant owner, and managed by a young married couple, Steve and Terry Kratz, who share in the profits. From the start, Terry says, "we knew that we just couldn't make it, in our location, without the corporate trade." So, Steve says, they went "knocking on company doors in the area, telling them what we thought we were going to do here." Now the inn has an occupancy rate of about 80 percent—exceptionally high—and is usually booked up during the week, when other inns hunger for guests. Most of the Ambler's guests are there on business.

In many respects the Ambler resembles a charming old hotel more than an inn: Each room has a new private bath, a telephone and a TV; there is central air conditioning; and breakfast is served from a menu. "Some of the customers want the charm that we offer, they want the uniqueness," Terry says, "but they also want all the things that a major hotel should provide."

An inn that caters to business travelers can find itself pressured to hone away eccentricities that give the inn much of its flavor. Typically, a B&B inn will furnish each room differently; at the Ambler, some rooms have a desk or a table, others do not. Problems arise, Steve Kratz says, when "you get a guy who carries in a typewriter and a computer, and we put him in a room that just happens to have a desk. The next time the guy checks in, he's looking for a table or a desk in his room."

In 1987, with business booming, the Ambler almost doubled in size, from 15 rooms to 28; some of the original 15 rooms still do not have desks, but each of the new rooms, in a remodeled barn, does. Says Steve: "We knew what the customers were going to ask for."

The Ambler added a hotel-sized restaurant that serves dinner in the expansion, along with a conference center. The inn's staff (full-time and part-time) has grown to 28, but the Kratzes feel stretched thin. "With 15 rooms, you could have a lot of control over the whole thing," Terry says. Now, though, they have less time for each guest, and they may soon cross one of the invisible boundaries that set inns apart from hotels: They may be forced to install a 24-hour front desk.

For many bed-and-breakfast inns, success of the sort that most businesses savor—growing revenues, expanding quarters—may actually diminish a kind of success that is bound up inextricably with a small and even precarious existence. Inns, as they become more popular, risk losing some of what made them appealing to begin with—the personal touch, the sense that the guest is truly a guest, is something more than a paying customer.

"I don't think the business is going to stay small," Murray Burns says, a little gloomily. "And the more common B&Bs are, the more common will the guests be. We're going to see changes in pilferage; right now the industry doesn't experience any. Not only do people not take things, they bring gifts, or mail them to us later. But I think that's going to change. Eventually we might reach the point where we screw the pictures to the wall."

In fact, though, such problems will probably never arise for those innkeepers who, like Burns himself, enjoy their guests and spend as much time as possible with them. Dane Wells of the Queen Victoria likes to recall another innkeeper's observation: "It would take an inordinate amount of brass for a guest to steal from you and then come down and have breakfast with you in the morning." NB

For Your Tax File

Tax-Free, But At A Price

By Gerald W. Padwe, C.P.A.

In 1982, Congress decided that interest on newly issued municipal bonds would no longer be tax-free unless the bonds were "registered"—that is, not bearer bonds, but issued in the name of a specific bondholder. The constitutionality of this requirement came before the Supreme Court earlier this year.

The Court held that Congress could restrict state and local bonds in this fashion—that is, it could put a price on the federal tax exemption.

That decision has raised a lot of investor and business concern. Investors worry whether bonds they hold will continue to produce tax-free interest. Businesses worry whether states and municipalities will continue to issue industrial development bonds (also called industrial revenue bonds) whose proceeds are dedicated to attracting a particular business to the community or helping it expand.

But this is not the first time Congress has whittled away at municipals. For example, tax-exempt bond interest must be included in a "phantom" calculation to determine whether a portion of Social Security benefits is to be taxed. The interest on some newer bonds that finance private activity is subject to direct tax when the taxpayers fall under the alternative-minimum-tax rules. (See "Take A Ride On The AMT," Page 64.) For corporations, all municipal bond interest (for 1987-89) included as part of financial-statement income is subject to the alternative minimum tax if the "book income" adjustment is applicable. (See below.)

Now that the Supreme Court has given Congress a free hand, is it likely that the interest on the municipal bonds held by you or your business will become subject to federal tax, just as if they were corporate bonds? Or, for that matter, that all future municipal issues will be fully taxable? Hardly. Congress gives state and local governments an indirect subsidy by forgoing taxes on their bonds' interest. Should the tax exemption disappear completely, the municipal bond market would likely dry up, and Congress would be pressured to subsidize directly—possibly at a much higher cost—what it now subsidizes indirectly.



Gerald W. Padwe is national director-tax practice for Touche Ross & Co. Readers should see tax and legal advisers on specific cases.

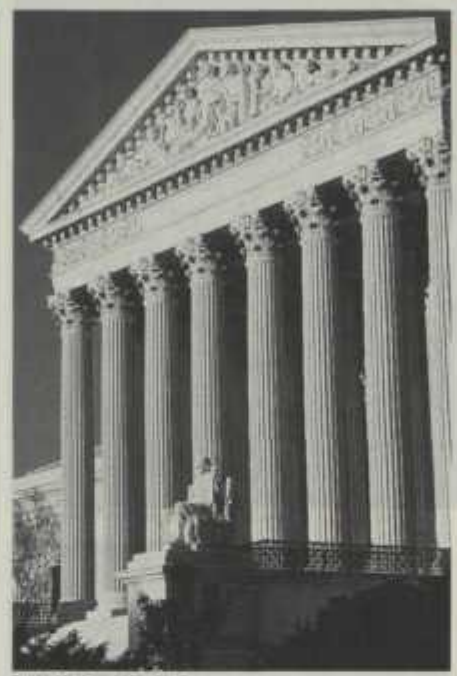


PHOTO: LELIA HENDREN—FOLIO

More On The Corporate AMT

As May's column explained, computing the corporate alternative minimum tax (AMT) requires an adjustment for financial-statement (book) income when those earnings greatly exceed taxable income.

In determining financial-statement income for this purpose, the statute and the proposed regulations give a higher priority to some kinds of financial information than to others. The priorities, in descending order, are:

- An income statement reported to the Securities and Exchange Commission;
- An audited income statement (for companies not registered with the SEC);
- Other income statements that must be provided to a governmental unit;
- Unaudited statements.

Many small or family-held businesses do not use audited financial statements. Such a firm may, instead, have its statement "reviewed" by a certified public accountant but not go through all the steps necessary to allow a CPA to express an opinion that the statement reflects generally accepted accounting principles.

If a corporation works with only an unaudited statement, it may elect to use its tax earnings and profits (E&P), rather than book income, in AMT calculations. Under tax rules, E&P is used primarily in determining whether or not a distribution from a corporation is a dividend. Computation begins with taxable income and includes adjustments that conform the corporation's taxable income more closely to financial-statement income.

Current-year E&P is, however, generally closer to taxable income than to book income. For example, if a taxpayer uses the cash method in computing taxable income but uses the accrual method in an unaudited income statement, taxable income will generally differ from book income. The difference could be large enough to require a book-income adjustment. If current-year E&P is used instead of book income, there will not be a difference arising from the taxpayer's use of the cash method, since current-year E&P and taxable income will show income or gain realized at the same time. Thus, no AMT book-income adjustment will be required.

An election to treat current E&P as adjusted net book income must be made in the first year that the taxpayer uses an unaudited income statement as its highest-priority financial statement. The election is then binding for all years in which unaudited financial statements are used. Failure to elect in the first year of opportunity is itself an irrevocable election.

In 1990, the book-income adjustment will be succeeded by an "adjusted current earnings" adjustment (*not* the same thing as the E&P adjustment discussed here), which will doubtless be the subject of another column. ■

COMING SOON TO A CITY NEAR YOU...

AN INTENSIVE ONE-DAY SEMINAR

MANAGING MULTIPLE PRIORITIES

Get Proven Answers to These Daily Challenges:

- juggle many jobs without dropping the ball
- maintain quality when quantity seems overwhelming
- handle more than one person's priorities
- what to do when everything is important
- keep cool under deadline pressures
- fit rush projects into the normal workflow

One low fee includes seminar, comprehensive workbook with check lists to ensure post-seminar follow-through, bonus readings to reinforce new skills on the job, and a one-year subscription to *Nation's Business* magazine!

Other seminar topics:
Management
Customer Service
Secretarial
Financial
Telephone Techniques
Interviewing
Business Writing
Credit & Collections
Supervisory Skills

Seminar Fee:
$125 Chamber Member
$160 Non-Member
Includes complete workbooks

Brought to you by
Nation's Business
Produced by
Dun & Bradstreet
Business Education Services

Dun & Bradstreet Corporation Foundation
Business Education Services
("Dun & Bradstreet")

Mail to:
Dun & Bradstreet Business Education Services • P.O. Box 803, Church Street Station, New York, New York 10008 • For additional information call (212) 312-6865

Yes, I want to find out how to manage my priorities.
_____ Please send me information on this seminar.
_____ Please send me information on all of your other seminars.

Name _____ Title _____ Dept. _____

Organization _____ Telephone (Area Code) _____

Street Address _____

City _____ State _____ Zip _____

807NB

How "Independent" Are Contractors?

By Paul N. Strassels

It's much more expensive to hire employees than it is to use independent contractors for the same work. Beyond the obvious salary expenses, the employer's share of Social Security tax amounts to 7.51 percent of the first $45,000 of wages paid to each employee each year; and federal and state unemployment taxes must be paid. Then there are employee benefits such as vacation pay, sick leave, health and life insurance, and pension contributions.

These additional payroll expenses do not apply to independent contractors. It's little wonder, then, that employers are only too pleased when individuals ask to be treated as contract workers rather than employees.

This trend has not been lost on the Internal Revenue Service. It is auditing returns of firms that it suspects are incorrectly classifying their employees as independent contractors in an effort to avoid paying the additional taxes and fringe benefits. So far, 90 percent of businesses that have been audited for payroll-tax compliance have had tax deficiencies, averaging $3,000.



Paul N. Strassels, president of Money Matters, Inc., Burke, Va., is a tax-law specialist and financial adviser.



PHOTO: JON FEINGERSH—UNIPHOTO

Independent contractors or employees? An employer who gives the IRS the wrong answer can be hit with a whopping bill for taxes, penalties and interest.

There's more than just unpaid payroll taxes at stake. When the IRS finds an employer has misclassified its workers, it will of course go after the unpaid payroll taxes, penalties and interest. In addition, it will press the issue of discrimination in the firm's benefits.

For example, if a company has made pension contributions to its officers but not to its workers who should have been treated as employees, the retirement plan can lose its tax qualification, often retroactively. When that happens, the firm loses its deductions for contributions to the plan, resulting in a significant tax deficiency for the firm, plus additional taxable income for the recipients of the contributions.

Check the status of all independent contractors who work for your firm. If they are truly independent, that's fine. But if you control their hours, provide them with places to work and direct how they handle their tasks, they are employees of the firm and should be treated as such for tax purposes. Make the adjustment as soon as possible.

Asking To Be Audited: Sometimes It Makes Sense

No one relishes the idea of facing an IRS audit. Yet, sometimes a review of your tax return by the IRS can work to your advantage.

For example, the executor of an estate gives public notice to all potential creditors and pays all claims prior to settling the estate and disbursing the remaining assets. But because the IRS has three years to assess taxes, there's the chance that it could, at some later date, audit the estate-tax return, find a mistake and assess a deficiency.

To head off such a problem, the executor should ask the IRS for a prompt assessment by filing Form 4810.

The same holds in the event you close your business. You should not dissipate all the funds, in case the IRS should determine, on audit, that your firm has not paid all the taxes that were due. Again, an immediate audit eliminates the problem.

Tell The IRS When You Move

The IRS has a maddening habit of being unable to track down thousands of taxpayers who are due refunds. As a result, the Treasury Department sits on millions of dollars in unclaimed refunds, waiting for taxpayers to claim what is rightfully theirs.

To get a refund speeding on its way to a new address, you must send the IRS appropriate information, identifying yourself, giving your tax identification number, the amount in question, your old and new address and more. Then you must wait for the IRS to process the data and mail your check.

Avoid the problem. Send the IRS and your state tax authorities letters informing them of your new address whenever you change your residence or business office. That way, the tax collectors should know where to send your refund as well as tax correspondence. NB

COMING IN NOVEMBER...

"Home Grown Economic Development"

A Special Industry/Technology Edition Report

Advertisers: 420,000 executives in SIC 01 through 51 read the Nation's Business *industry/technology edition. Your ad will reach industry decision makers —98% hold management positions.*

November ad closing is September 20. For more information call Bob Gotshall, our Nation's Business *U.S. Marketing Director, at (313) 354-1180.*

Nation's Business

Personal Management

To Your Health

By Carol Dilks

Those Tender Tendons

Tendinitis doesn't kill. It doesn't cripple. It doesn't disfigure. But for someone who has it, life is temporarily miserable.

For Jean Young, an avid tennis player—spending three hours on the court as often as five times a week—it took the form of tennis elbow, with pain so severe she could hardly brush her teeth for three weeks. Overdoing it, pure and simple, did the damage, said her doctor.

Another tennis buff, however, suffered because he underdid it. After a couple of months off the court for an unrelated reason, commodities-futures trader Jay Lockman bounded out for his usual high-powered game. But his muscles were out of practice, and his failure to warm up, plus what he now recognizes as an incorrect backhand, cost him two weeks of serious pain whenever he wrote or flexed his wrist.

Both of these athletes suffered damage and swelling of the tendons, the tissues that connect muscles to bones. These tissues are made of fibers that sustain microscopic tears when they are overused or receive repetitive physical shocks. The tears eventually scar over, leaving the tendon less elastic.

Tendinitis is by no means restricted to the elbow. An unsuspecting athlete—or worker—can get it just about anywhere. Bursitis (the shoulder) and Achilles tendinitis (the back of the heel) are among the most common varieties.

At the sports medicine facility of Philadelphia's Temple University Medical School, Dr. Paul Marchetto sees more Achilles tendinitis than any other form of the condition. "It's basically the weekend athlete we see here: someone who plays once a week, without adequate preparation, and plays hard," he says. The same kinds of problems caused by overextending to reach a ball, he indicates, can be caused by any repetitive action. Tennis elbow can come from reaching over and over again for a distant lever.

Carol Dilks is a Philadelphia freelance writer.



PHOTO: PETER GARFIELD—FOLIO

Overdoing it or underdoing it: Tennis buffs may be prone to tendinitis. Weekend athletes especially should beware.

When tendons are injured, doctors call for ice and anti-inflammation medication. To allow the tendon to heal, for a week or two the individual should stop the activity that caused the problem. This sometimes involves immobilizing an arm or a shoulder with a sling or bandaging a wrist to keep it straight.

Marchetto says inactivity should be followed by a set of exercises for stretching the muscles and tendons, and then by exercises to strengthen the injured area and prevent re-injury.

One might assume that, on the job, working with heavy machinery would be a frequent cause of tendinitis. But according to Dr. George Benjamin, director of occupational, environmental and consumer health for the National Safety Council in Chicago, the culpable machinery is more likely to be a keyboard or a small hand tool. "Some people repeat small motions, like twisting screwdrivers, 20,000 or 30,000 times per day," he says. "Especially if a tool is unbalanced or heavy, there's going to be inflammation of those tendons."

Many companies, aware of the hazards, have instituted warm-up exercises for specific jobs. Others screen workers carefully, matching them with work stations. Still other businesses look at the ergonomics, or human engineering, of each work station. They examine the worker's interaction with his or her immediate environment, checking the amount of strength and positions needed for each maneuver.

Mars Electronics, of West Chester, Pa., where the assembly of electronic parts requires the repetition of precise movements, would be fertile ground for tendinitis were it not for an ergonomic study two years ago. Each task and location was analyzed and, if necessary, redesigned so that workers need not twist, overreach or overflex to perform tasks. Among the changes: Equipment at work stations was made adjustable to fit both large and small workers; storage containers were designed and located so that workers could grasp parts without much bending of the wrists; and guidelines were established for the weight, balance, size and contouring of tools. Since the program started, there have been no reports of work-related tendinitis.

"Rotation of jobs," says the National Safety Council's Benjamin, "is another good way to avoid injuries. That way no person has to do just one motion, and no single part of the body is used all the time."

Recognizing the problem early—and stopping the activity that caused it—can prevent an annoyance from becoming a disability. Watch for any instances in which you or your employees suffer on-the-job pain that lasts more than an hour. Allow workers to rest or take on different tasks if discomfort arises.

And weekend athletes, beware. ■

It's Your Money

By Ray Brady

A $10,000 Proposition

Wall Street is a place for fads. One day it goes wild buying high-tech stocks, a day later it can't abide them and is switching money into blue chips. Right now, though, more and more market advisers are putting their clients onto a purchase that has some durability and an appeal for even the most hardened investor in stocks.

The hot new investment is government bonds, or, to give them their more formal name, U.S. Treasury bonds.

They are backed by the full faith and credit of the U.S. government, and the interest on them is guaranteed. But more to the point, their fans argue, Treasuries are now returning an interest rate of around 9 percent (some days a bit more).

Wall Street is worried about the budget and trade deficits, the still-weak dollar and, above all, the return of inflation—and that is part of the bonds' appeal. Notes August F. Arace, of the New York investment firm of Tucker Anthony: "Out of these dismal concerns should come adjustments that will eventually correct the problems so that interest rates and inflation will decline."

In other words, the government will act to stamp out inflation, as it has in the past. Once that happens, interest rates will drop—although you'll still be getting that 9 percent if you've bought now—and the price of bonds will rise. *Voila!* You've got both a fat return on your money and the chance for a capital gain.

Before you rush out to buy, though, you should know that not everybody on Wall Street is bullish on bonds. Suppose inflation got really out of hand, despite the government's best efforts to contain it. Interest rates would go up, and bond prices would drop. In that scenario, you would still be getting 9 percent—new buyers of bonds would be getting a lot more—and the value of your bonds would be down. If you wanted to switch to something with a higher interest rate, you might have to sell your Treasuries at a loss.

As a number of brokers point out, the safest way of all is to buy a two-year Treasury note (similar to a bond). That way, even if things go completely sour, you only have to wait two years to sell your bond and get back every penny you put into it.

At Tucker Anthony, the recommended strategy is to put money into a mutual fund that specializes in buying U.S. government bonds. Its analysts have calculated just how an investment of $10,000 would grow (see chart) if the interest on the bonds were reinvested and simply allowed to keep building. This power of compounding is familiar to anyone who has ever left money in a savings account.

A few words of caution about the chart: It assumes no change in interest rates over the periods it covers, and it does not take taxes into account (you will, of course, pay taxes on the interest your bonds are earning). Not only that, these government-bond mutual funds have expenses and management fees. Those will cost you 1 to 1.3 percent a year, money that will come out of your interest income. NB



Ray Brady is the business correspondent for CBS News.

Take A Ride On The AMT

The Tax Reform Act of 1986 created a class of municipal bonds called AMTs (alternative minimum tax bonds) that are—for the moment—a good deal for most individual investors looking for tax-free income. The new class of bonds can yield as much as 6 percent more tax-free income than traditional tax-free municipal bonds (the difference between 7 percent and 7.4 percent).

Why are AMT bonds higher yielding? They are new and unfamiliar to investors, so underwriters must price them more attractively. The difference in yields will narrow as AMT bonds become better known.

Why are AMT bonds different? Say a municipality wants to raise money for an industrial park to attract jobs to the area. The 1986 tax law says that an industrial park is not an essential municipal service, like a public school or local water and sewer lines, and that such nonessential municipal projects cannot be funded with ordinary municipal bonds. Now municipalities must issue AMT bonds when they want to finance nonessential municipal activities. The previously tax-free income from such bonds becomes taxable when too high a proportion of an investor's income comes from such AMT sources. (See For Your Tax File, Page 60.)

AMT bonds are thus not appropriate for wealthy investors who receive large amounts of so-called passive income from sophisticated investments like dairy herds and apartment buildings.

For those people, investing in AMT bonds could actually mean an increase in their tax bills. But over 99 percent of all taxpayers can own AMT bonds and receive AMT income without worry.

—Mark O'Brien



Source: Tucker Anthony Investment Research

THE NATION'S BUSINESS

Where I Stand

Results of this monthly poll are forwarded to top government officials in the White House and Congress.

1. Create Entitlement For Child Care?

Some in Congress have proposed creating a federal entitlement program for child care similar to the food stamp program. Their proposal, which would cost $2.5 billion the first year, would subsidize day care for most families and would regulate providers. Supporters say only massive intervention by Congress will ensure the necessary quantity and quality of day-care centers. Opponents argue that providing child care is not an appropriate role of the federal government. They add that federal regulations could inhibit the availability of child care and that entitlements cost too much. Should Congress create a child-care entitlement?

2. Limit Federal Role In Child Care?

An alternative proposal by Sen. Orrin J. Hatch (R-Utah) would earmark $250 million for grants to new day-care centers, $100 million for an insurance pool to reduce liability premiums of providers and $25 million for improving existing centers. The measure also would provide one-time tax breaks for businesses opening centers for employees. Proponents of day-care facilities operated by those other than the federal government claim their approach would be less expensive and more effective than a massive federal program. Opponents argue for more money and control by Washington. Should Congress endorse Hatch's approach to child care?

3. Approve Tax Subsidies For Parents?

Some say the entitlement and the Hatch proposals are too intrusive. These people would provide parents with a tax credit for each young child and would expand the earned-income credit for low-income families. Supporters of this plan laud its absence of government regulations and its avoidance of discrimination against families in which one parent quits work to raise the children. Opponents point out that tax subsidies for child care could cost the Treasury as much as $8 billion a year. Should Congress adopt a tax-subsidies approach to child care?

Verdicts On June Poll

Here is how readers responded to the questions in the June issue.

	Yes	No	Undecided
Should fired air-traffic controllers be rehired?	27%	67%	6%
Should lawsuits under RICO be restricted?	53%	25%	22%
Should student-loan interest be tax-deductible?	70%	25%	5%

Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Advertiser Information

*To respond to **Where I Stand** or to receive **Advertiser Information,** please call **1-800-443-5903** or complete the necessary information on the attached card and drop it in the mail.*

Academic Guidance Services **8**
Access Capital, Inc. **97**
Atlantic Bldg. Systems **47**
Atlantic International Zone **90**
Best Western International **10**
ConSern **53**
Dale Carnegie & Associates **1**
Deltec Homes **80**
Dictaphone Corporation **62**
Eagle's Nest Homes **33**
Executive Gallery, Inc. **35**
Executive Seminars In Sound **75**
Ford Motor **2**
High Country Fashions **56**
Marlenna Fashions **17**
Swintec Corporation **51**
Toyota Motors **49**
U.S. Postal Service **37**
U.S. West—Public Phones **9**

The Great American Dream House — Models As Low As $25,000

Earn a top living as an Eagle's Nest Homes representative — and live in luxury in a stunning model home.

Models as low as $17 per sq. ft.

- Interior *and* exterior design flexibility
- Remarkably energy-efficient
- Cathedral ceilings and exterior decks
- Built-in, expandable Home Computer Center
- FHA and VA accepted

Unlimited Income Potential

As an Eagle's Nest Homes representative, you have *unlimited income potential* in a defined territory. And the *only* qualification you need is the ability to purchase or mortgage a $25,000 model which may be finished as a home to live in, or sell, or completed as an office, condo, duplex, or other commercial enterprise.

Call Mr. Nations collect (404) 479-9700

Eagle's Nest Homes

P.O. Drawer 1569
Canton, GA 30114-1569

Circle No. 33 on Reader Service Card.



OWN YOUR OWN
RETAIL APPAREL OR SHOE STORE
REAP THE REWARDS OF YOUR OWN EFFORTS

WE OFFER YOU

A PROVEN AND PROFITABLE BUSINESS OPPORTUNITY OVER 2000 NATIONALLY KNOWN NAME BRANDS
ALSO, $14.99 ONE-PRICE LADIES, MENS AND CHILDRENS STORES

High Country Fashions, Inc. Since 1977

Gain the advantages of business ownership.
You can open a store of your own in as little as 15 days...Your choice of name, size and merchandise. All the profits are yours. We help you attain success and independence in the fashion field.

We have sold over 3000 stores nationwide.
Our "blueprint" for success has been working since 1977. It can work for you too.

Investment packages range from $17,900 to $27,900.
You receive beginning inventory, fixtures, in-store training or at our National Training Center, airfare for inventory selection, location assistance, bookkeeping system, grand opening, continuous assistance and more.

The choice is yours.
In addition to our fashion packages for infant/preteen, ladies, mens, large sizes, petite, jean/sportswear, dancewear/aerobic, bridal shop, accessories or lingerie store and color analysis, we also offer a **$13.99 one-price designer or multi-tier pricing discount or family shoe store.** We can design one for just about any size store. The first step is up to you.

Call: Mr. Keenan • (407) 366-8606

Circle No. 56 on Reader Service Card.

INVEST IN A WELL ROUNDED FUTURE.



Today's investment climate demands that you make the right decisions. Deltec Homes now makes it possible for you to invest in the one thing you can be certain of—yourself.

For more information on how you can round out your future, contact Deltec Homes, Dept NB, Box 6279, Asheville, NC 28816. Or call **1-800-642-2508 Ext. 911** or **704-253-0483 Ext. 911**. Send $7 for a book of highly innovative Deltec Homes and floor plans. Visa and MasterCard accepted.

Name _____
Address _____
City/State/Zip _____
Phone _____ Visa/MC No. _____

DELTEC HOMES

Circle No. 80 on Reader Service Card.

OWN YOUR OWN COMPANY for $495!

Make 300% Profit Providing Students with TODAY'S MOST DESPERATELY NEEDED SERVICE!

Computerized Scholarship/ Financial Aid Matching Service

The Problem:	The Solution:
$135 Million in College Financial Aid go *unused* every year. Students who really need funds sometimes never even know it!	A Computerized Matching Service which locates money for students. Our licensees do it for students across the country everyday!

BE YOUR OWN BOSS!

As an AGS Licensee, you own your own business, pick your own hours—even operate out of your own home! You create the name of your company, decide the price—everything! YOU'RE IN CHARGE!

You don't need your own computer because we do all the processing for you!

NO EXPERIENCE NECESSARY!

We show how to market your business. We provide you with the instructions and materials you need. The service can be conducted by direct mail—you can market it in ANY region of the country you desire. AND, NO DIRECT SELLING NECESSARY!

WE PRIVATE LABEL THE SERVICE UNDER YOUR NAME AND YOU CAN EARN OVER 300% PROFIT!

For Our FREE BROCHURE

Name _____
Address _____
City, State, Zip _____
Phone _____

Academic Guidance Services
230 Winding Way, 1st Floor
Marlton, NJ 08053
1-800-USA-1221

Circle No. 8 on Reader Service Card.

OPEN AND OWN A

$13.99 OR LESS

LADIES OR CHILDRENS APPAREL STORE!

"The hottest concepts in Apparel Retailing." Open within 3 weeks, protected territory, feature values up to $40 for $13.99 and less, deal with real nice folks.

$19,975 Includes:
Beginning inventory, in-store training, fixtures, supplies, travel allowance, follow-up program and much more.

CALL ANYTIME
1-904-785-4111

Marlenna Fashions INC. SINCE 1977

Circle No. 17 on Reader Service Card.

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
$41	$36	$32	$24	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

APPAREL/UNIFORMS



Embroidered Caps • Shirts • Jackets

IMMEDIATE DELIVERY

Call for FREE Catalog

TOLL FREE (800) 792-2277

In Calif. (800) 826-8585

San Francisco Embroidery Works

3952 Point Eden Way • Hayward, CA 94545

AUTOMOTIVE

Cadillacs, Mercedes, Porsche, etc. direct from Government. Seized in drug raids. Available your areas. Save $thousands$. 216-453-3000, Ext. A8140.

BUSINESS OPPORTUNITIES

BUSINESS CONSULTANT

The demand for consultants is increasing as internal management is being replaced by outside, unbiased consultants. We are managing the future and sharing it. Enjoy the advantage of being self-employed with the association and support of one of the largest and most respected consulting firms in the country. Full expense paid training in New Orleans, national advertising, and fringe benefits. Relocation not required. Nominal refundable performance deposit of $7,500 required. Call for free company brochure and details.

National Business Consultants, Inc.
Mr. Mark Simon, Exec. V.P.
(504) 456-1968
New Orleans, LA

BUSINESS OPPORTUNITIES

ADVERTISING EXPERT DESIGNS POWER-PACKED ADS to sell your products or services. Millions in sales, clients worldwide. FREE Brochure. Call Jay Roles (805) 683-3992.

SELL MONEY! Become a loan broker. Free details. Financial Planning, Department NB-202, 210 5th Avenue, New York, NY 10010. (718) 768-6803, extension 200 (24 hours).

FREE REPORT: Earn up to $7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, #BN-888, Box 4309, West Covina, CA 91791.

NATION'S BEST HOME BUSINESS OPPORTUNITIES. Free Subscription. Send name, address, zip to Spare Time magazine, Dept. T2-88, 5810 W. Oklahoma Ave, Milwaukee, WI 53219.

BEST KEPT SECRET. Earn profits of $50,000 to $150,000 with investment as low as $50,000 owning a CHECK CASHING SERVICE. Extremely liquid "inventory." HMC Consulting, 707 SE 122nd Ave., Portland, OR 97233. (503)255-1127.

BIG INCOME AS A REP
How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

ARAB BUSINESSMEN
HAVE MONEY TO BUY & INVEST.
Top finders fee paid. Dept. 888NB1.
Box 100, Nation's Business

POWER EARNINGS! $400 daily buying & selling automobiles wholesale, even without investment! Complete expert instructions. For free details write: JF Smith, Box 2085, Titusville, FL 32781.

GUARANTEED HOME-BASED BUSINESS OPPORTUNITIES. Detailed, step-by-step guide will show you how. Little or no investment required in many cases. $2,000 to $5,000 monthly in spare time. Complete guide $9.95 DLM Associates, Box 394, Bronxville, NY 10708. Dept. N.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 57, Montvale, NJ 07645.

MILLIONS NEED LOANS/CREDIT
Cash in with your own prestigious money consulting business. No educational requirement. Start part-time. 10-year old national firm provides training, support. FREE Valuable Report. PFA, Box 697-G2N, Dana Point, CA 92629, 714-240-0405, X104-G2N.

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE. Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available. Established since 1966. For information write: Manufacturers' Agents' Newsletter, Dept. 130A, 23573 Prospect Avenue, Farmington, MI 48024.

INCREASE SALES...USE AN 800 LINE!
AND OUR CREDIT CARD PROCESSING
America's only company offering 800 line answering for just $35.00 per month! It's true. Plus much, much more. We can design & place your advertising. Answer your response, process the credit card sales, store & ship your product & give you WATS lines, TLX & FAX numbers for your own letterhead. Pick only the service you need. Call Danny Wolf, Wolf Airport, Eldersburg, MD 21784 at 800-638-2000 or 800-831-4300 in MD. Telerep 800 can increase your business...try us.

Become a mail-order guidance counselor...

Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)



We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. $495 required if accepted. Up to 300% profit—millions of names available yearly.

1-800-USA-1221
ACADEMIC GUIDANCE SERVICES
[illegible]

S.P.O.R.T.S.-A. INC. IS NOW OFFERING A SPORTS-ORIENTED BUSINESS OF YOUR OWN—Only $495.00 Initial Fee

An overwhelming market that must have your service!! You may earn up to **$10,000** every month!!

To obtain free information, please call toll free **1-800-634-0321.** In New Jersey, **1-609-722-8225.** Scholastic Placement ORganization for The Student Athlete

BUSINESS OPPORTUNITIES

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. N-1559, Woodland Hills, California 91367

FOREIGN TRADE FAIR NEWSLETTER. Lists new products offered by foreign manufacturers to U.S. firms. Free details. International Index, Box 636 NB, Newark, NJ 07101.

CONTRACTOR-TYPE BUSINESS. PERSON SHOULD BE CAPABLE OF ESTIMATING JOBS & MANAGING PEOPLE. REQUIRES $11,400. 70% Profit Margin. 1-800-328-4650.

MAKING EXTRA MONEY MADE EASY. FREE Subscription to Opportunity Magazine offers hundreds of proven ways. Write: Opportunity, Dept. N98, 6 N. Michigan, Chicago, IL 60602.

BE THE BOSS! Own a Private Mail Presorting Business & reap in the Profits! For information package on how to Presort U.S. POSTAL SERVICE Mail, send $14.95: J S Albert & Associates, NB1, PO Box 21713, Greensboro, NC 27420.

INCREASE YOUR INCOME
How to start & operate your own profitable business from home. Complete expert instructions. For free details: Custom Publishing, 8922 West 83rd Pl., Justice, IL 60458.

MAILORDER: Purchase direct from the manufacturer or trade offices in Hong Kong and Taiwan. List of over 150 manufacturers and trade organizations. Deal direct and save money! Send $19.95 for list to: P.R. Services, PO Box 1004, St. Cloud, MN 56302.

CHINA TRADE: Interested in doing business with China? We provide addresses of the appropriate Chinese firms (at 1/10th the cost of traditional services) and MUCH MORE! Contact: China-America Enterprises, 1800 O'Connell, St. Louis, MO 63114, 314-768-1122.

TAKE CATALOG ORDERS. We drop ship 2,955 best selling specialty products. Lowest below wholesale prices. Immediate delivery. Spectacular home business opportunity. FREE BOOK. SMC, 9401 De Soto Ave., Dept. 464-88, Chadsworth, CA 91311.

JOIN THE INITIAL PHASE of a Programmed Distributor Network for Heavy Duty Truck Parts. Territories available in the Mid-Atlantic states. Aftermarket experience helpful or train with the professionals. Reply to: District Sales Mgr., Box 535, N. Lima, OH 44452.

BUSINESS SERVICES/AIDS

BUSINESS PLANS. Prepared, revised and/or analyzed for individuals, new and existing businesses. Contact: AMC; PO Box 803214; Chicago, IL 60680 or call 312-721-0317.

INCORPORATE IN NEVADA! Under $500! Save taxes, legal fees. Comprehensive new manual, $100 check, Bankcard. Brochure: NPBS, Box 8603, Incline Village, NV 89450. 702-831-3300.

TURN AROUNDS — WORKOUTS
COMMERCIAL OR AGRICULTURAL, NATIONWIDE!!!
SPECIAL GUARANTEED RESULTS PROGRAM
ALL INQUIRIES STRICTLY CONFIDENTIAL
FRED H. WADSWORTH, CEO 1-715-732-5006

CARPET

Buy Direct. Save 40 to 50%
Barratt's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
Big savings — all qualities business & home carpets. Call, visit, or write requirements with $10 for samples (refundable upon return or purchase). I-75, exit 135, (3004 Parquet Rd.) Dalton, GA 30720. 1-800-241-4064, ext. 79. In Georgia 1-800-447-2114.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
Built-in Resistance to Stain, Soil, Static, & Wear
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 404-277-1151. Established 1949.
Buy direct from mill outlet and save!

COMPUTER SUPPLIES

CUSTOM PRINTED COMPUTER STATIONERY & FORMS. Free Samples & Prices: 800-624-2961, (TN) 901-756-7010 or write: Performs Press, 8456 Lofton, Cordova, TN 38018.

NATION'S BUSINESS CLASSIFIED

COMPUTERS/ACCESSORIES/SOFTWARE

Radio Shack Tandy
Our 12th year of **DISCOUNTS**
COMPUTERS & CELLULAR PHONES
Fgt. Prepaid. Save Tax
Toll Free **800-231-3680**
MARYMAC INDUSTRIES INC.
22511 Katy Fwy., Katy (Houston) TX 77450
1-713-392-0747 Telex: 774132

EDUCATION/TRAINING PROGRAMS

COMPLETE MA/BS/PhD/LAW DEGREE at CityUnivLA. "Computerized Independent Study". 3960 Wilshire Blvd., LA, CA 90010. 1-800-262-8388/213-382-3601.

BA, MA, MBA & PhD degrees in Bus/Econ. by tutorials & testing. CHASE UNIVERSITY, 2144 South 1100 East, Suite 150-175, Salt Lake City, UT 84106; 801-32C-HASE.

UNIVERSITY DEGREES BY MAIL
BA, MA, PhDs, FAST. Write: Success, 2899 Agoura, #127B, Westlake, CA 91360. Call 24 hr. - 818-377-4314.

FREE COLLEGE TAPE External Degree Programs Business Administration, Public Administration, LAW (Qualify Bar Admission). Fully Accredited, Financial Aid. (800) 847-0005, (314) 469-9933. LaSalle University, PO Box 28631, St. Louis, MO 63146.

VILLAREAL NATIONAL UNIVERSITY
Fully accredited state university, 45,000 students on campus. Offering non-residential Master's and Doctorate degrees. Inquire: International Program, c/o International Educational Consultants, 4521 Campus Drive, Suite 444P, Irvine, CA 92715.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 4532 West Napoleon Ave., Metairie, LA 70001. (800) 433-5925 or 433-5923.

ANGLO-AMERICAN OFF-CAMPUS INDIVIDUALIZED PROGRAMS for professionals at Somerset lead to American Doctor's degrees including Higher Doctorates. For a prospectus send $6 to the International Administrative Centre, Somerset University, Ilminster, Somerset, TA19 OBQ, England. Tel: (0460) 57255.

EMPLOYEE BENEFIT PROGRAMS

REDUCE TAXES. Implement a flexible "cafeteria" benefit plan in your company & administer it in-house on your PC. Benefit Plan Administrator software, $189.95. Sample program, $10.00 refundable with order. Interval Software, Box 592, Centerville, UT 84014.

EXECUTIVE GIFTS

*****WATCH REPLICAS*****
GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! LIMITED FREE PROMOTIONS! CALL NOW (404) 963-3USA.

FACSIMILE MACHINES

Sharp • Canon • Murata
FACSIMILE MACHINES
Highest discounts available in U.S.!
Full Training & Service! • Save Sales Tax!
Call Us Today!
FAX OF AMERICA
1-800-342-FAXX
America's Low Price Fax Distributor

FRANCHISE OPPORTUNITIES/SERVICES

SUB SHOPS
One of the Nation's fastest growing fast food concepts is now offering Master franchises. 305-486-5500.

GET THE FACTS ON OVER 3,500 FRANCHISORS
1988 Franchise Annual Directory includes Handbook concerning what you should know before entering Franchise. $27.95 includes postage. Money-back Guarantee. INFO FRANCHISE NEWS, 728 K Center St, Lewiston, NY 14092.

FRANCHISE
Your Business.
FRANCHISE CONSULTING GROUP, INC.
the franchise consultants
800-358-8011 BOSTON 617-740-2211

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

HUNTING/FISHING

HUNT PHEASANTS in the pheasant capital of the world. Finest hunting anywhere at reasonable rates. Send inquiries to: Ringneck Roost, Dallas, SD 57529 or phone 605-835-8909.

IMPORT/EXPORT

HOW TO IMPORT/EXPORT
Sources, etc. Kitco, Drawer 6266-N, Kansas City, Kansas 66106.

UNIQUE USA & INT'L IMPORT/EXPORT BUSINESS DEVELOPMENT GUIDE. For free information: GRIST, P.O. Box 227, Amherst, MA. 01004.

INCENTIVE GIFTS & PREMIUMS

BAHAMA CRUISE BARGAIN!
LOWEST PRICE GUARANTEED NATIONWIDE! 5 days/4 nights ~~$498.00~~ $155.95. Limited Time Offer! 404-963-3872.

INVENTIONS

HAVE AN IDEA, INVENTION, OR NEW PRODUCT? Don't know what to do? Call AIM, we may be able to help. Call for free info kit, toll free 1-800-225-5800.

INVENTIONS, IDEAS, NEW PRODUCTS WANTED!
1-800-288-IDEA
ISC-N8, 903 Liberty, Pittsburgh, PA 15222

INVENTORS!! Innovation Center in Washington, D.C. will assist you through Research and Development! For free information: In US & Canada: 1-800-628-2828.

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORPORATION for free information. Over a decade of service. 1-800-338-5556. In Massachusetts or Canada call: (413) 568-3753.

INVENTORIES WANTED

Turn idle stock into working capital. FAX inventory lists. 312-676-1180 or call toll-free 1-800-468-1414. Speedway Trading Corp., 7360 Channel Rd., Skokie, IL 60076.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 (in ILL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category available. Details: GOC/475, box 1107, Stuart, FL 34995. Or call for free consultation, 800-554-LIST or 407-334-5205.

MANUFACTURING

WANTED VINYL WINDOW MANUFACTURERS
Contact Vinylume Products for an opportunity to manufacture vinyl tilt replacement windows plus a complete line of vinyl casement windows & vinyl storm windows. KD programs available. Exclusive territories available. Minimal investment required. Call or write for details: VINYLUME PRODUCTS, INC., 904 Tod Ave., Youngstown, OH 44502. 216-744-4153.

PRINTING

500 EACH - Letterhead & Envelopes, with white #24 bond, black ink, for $29.95 + $5 postage & handling. GA residents add sales tax. Check, M.O., VISA, MC, to: Colton Communications, Inc., 370 J Great SW Pkwy., Atlanta, GA 30336. 1-404-699-2111.

SEMINARS/CONFERENCES/CONVENTIONS

ATTENTION MEETING PLANNERS
Your program will be terrific with our speakers. Call us for ideas. National News Speakers Bureau, 1199 National Press Bldg., Wash., DC 20045. 202-638-7466.

SUCCESS LEADERS SPEAKER SERVICE
Jordan Enterprises provides business, gov't leaders, convention keynoters, sales mgmt. trainers, humorists, entertainers, celebrities. Margaret M. or Dr. DuPree Jordan, Communications Center, Box 1400, Roswell, GA 30077, 404-261-1122. Meeting Planners call 1-800-ORATORS (672-8677).


PAT PAULSEN

Pat Paulsen Enterprises, Inc.
10395 W. Colfax Ave.
Suite 225
Lakewood, CO 80215
(303) 238-5902
Linda Chaney
Publicist/Promoter

TELEPHONE/TELEX SERVICES/EQUIPMENT

GUARANTEED LOWEST COST SERVICE IN AMERICA. WATS lines, Telex Lines & Fascimile lines for your letterhead, as low as $6.25 per month! Call 800-638-2000 or 800-831-4300 in MD. FAX 301-549-2867.

TRAVEL/VACATION RENTALS/EXCHANGES

HAWAII CONDOS at WAILEA, Maui. Superb, safe beaches, pools, tennis. Save up to $50 on green fees on 2 championship courses. Hawaii Premier Resorts: 1-800-367-2950.

CHARTER THE CHESAPEAKE BAY
On a 47' 20 Knot House Boat. Captain or Bare. Hansen Marine, Box 70263, Washington, DC 20088. 301-269-7542.

ST. CROIX VILLA: Maid, pool, 4/16-12/14, $750/wk; 12/15-4/15, $1500/wk. Low airfares. Bev Collins, Wright Ln, Westford, MA 01886. 617-692-5813. Also, homesite w/expansive sea view for sale.

▲ ▲ ▲

FOR THE MOST UP-TO-DATE
COMPREHENSIVE FRANCHISING INFORMATION
READ "THE 1989 GUIDE TO FRANCHISING"
IN THE OCTOBER ISSUE OF *NATION'S BUSINESS*

For information on advertising,
call Jon Shonerd, toll free, at
800-424-6746.

A Greek With A Word For It

The word is "better"—keep doing better, John Psarouthakis says, and you'll wind up best. His J.P. Industries proves it.

By Michael Barrier

His heritage is Greek; he got his start in Massachusetts; he is now in his 50s and enjoying the fruits of a career built on careful planning; and he is *not* running for President of the United States. As a matter of fact, he can't. Under the Constitution, he is not eligible for that office. He did not become a citizen until 1963.

But John Psarouthakis is content, thank you, to be president, chairman and chief executive officer of J.P. Industries, Inc., a publicly held firm whose revenues this year will almost certainly top $500 million—and whose initials are those of the Greek immigrant who founded it 11 years ago.

J.P. Industries is based in a university town—Ann Arbor, Mich.—but it is not a glamorous, high-tech company. J.P. manufactures engine components like pistons and gaskets for the transportation industry (20 percent of its total sales are to the Big Three U.S. automakers) and tubs, sinks, faucets and other plumbing fixtures for the building industry.

Many of J.P.'s 28 plants sit in the heart of the Rust Belt—there are seven in Ohio alone—and three of its four foreign plants are not in low-wage countries but in Western Europe.

J.P. thus might be mistaken, at first glance, for one of the stodgy U.S. manufacturing companies that have been slowly sinking under the tide of more aggressive foreign competition. But it is instead a highly profitable corporation whose sales and earnings have climbed rapidly every year. Its net income in 1987 was just under $15 million, up about $4 million from 1986, and at the current pace 1988 earnings should be close to $20 million.

J.P. has succeeded by doing well what other manufacturers have done poorly. Under the slogan "Better Makes Us Best," it has brought to the making of basic goods the kind of energy, intelligence and respect for employees that has contributed to the success of companies making much more sophisticated, attention-getting products.

J.P.'s rise may have surprised some observers, but not John Psarouthakis.

In 1977, as he prepared to go into business for himself after a highly successful career as an engineer and manager with four large corporations, "I took my family and went to Crete for two months, just to remove myself from what I was doing daily; I felt I knew what I wanted to do, but I wanted to make sure I was clear. I wrote a strategic, fundamental plan"—not a detailed, financially specific plan, but six pages setting forth his objectives.



PHOTO: DAVID KRYSZAK—BLACK STAR

When Psarouthakis wants to use a product made by his Michigan-based company, all he has to do is wash his hands: J.P. Industries is a leading manufacturer of plumbing fixtures.

"I wanted to build a diversified manufacturing company in durable goods," he says, and the six-page plan described how he would go about it: He would find and buy "underperforming companies" with promising product lines; he would strengthen those weak companies, and as he did, he would acquire companies that made complementary products and integrate them into J.P., so that he could offer complete lines. In addition, "I would start with small companies," he says, "and build up, rather than going out and buying big ones."

J.P. has grown exactly as Psarouthakis planned. "To start a company," he says, "the most important element is to have a clear vision of what you want to do. Once you have that, and the belief that that vision is worth pursuing, things seem to fall in line—with a lot of hard work."

For all the success Psarouthakis has enjoyed as a result of thinking ahead, it would be difficult to say that he has always approached life that way. If he had, he probably would not have shown up at Ellis Island in November, 1951, on his way to enrolling at the Massachusetts Institute of Technology—speaking scarcely a word of English.

Psarouthakis grew up on the Greek

A Greek With A Word For It

"To start a company, the most important element is to have a clear vision of what you want to do. Once you have that . . . things seem to fall in line—with a lot of hard work."

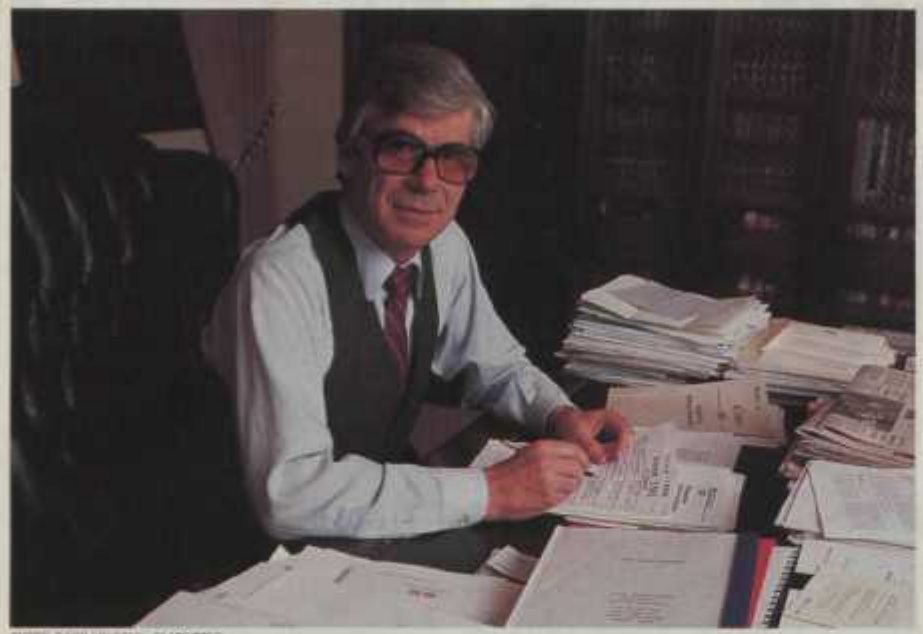


PHOTO: DAVID KRYSZAK—BLACK STAR

island of Crete, where he was born in 1932. When relatives who had emigrated to the United States learned that he was interested in becoming an engineer, they encouraged him to apply to MIT. "I didn't take it seriously in the beginning," he says, "but with the help of a friend who knew English well, I filled out the application. Then I went to a private teacher of English—just in case. And to my great amazement—it still amazes me, when I think of it—I received a letter, 4½ lines, from the adviser of foreign students, telling me that my application was accepted."

Psarouthakis was detained at Ellis Island for a week because an immigration officer refused at first to believe that he was really a student—he had an English vocabulary of only a few hundred words, and he could not understand spoken English.

At MIT, Psarouthakis planned to enroll for the spring semester, despite his limited knowledge of English—"one good thing when one is young, you're not so analytical about risks"—but the foreign-student adviser steered him into waiting a few months more and studying English in the meantime.

His years at MIT required tremendous self-discipline—he had to master English, keep up with his studies, and hold down a series of jobs—and were clearly a shaping experience for Psarouthakis. "I think I learned a lot from the intensity and the focus required," he says.

Psarouthakis earned his master's degree in mechanical engineering from MIT and his Ph.D. from the University of Maryland while he worked for space-program contractors in Boston and Baltimore. As he worked as an engineer, "what I began to enjoy as much, eventually, was the organizing of things, putting scientists together to solve a problem. I began to realize that a properly motivated team could achieve greater results than perhaps an individual could on his own. And I liked that. I reached the point where I made an evaluation of myself, and I concluded that although I enjoyed science and engineering, it would be potentially more exciting and more rewarding to shift toward management."

Psarouthakis made the transition smoothly, and by the mid-1970s he was corporate vice president of Masco Corporation, a Taylor, Mich., manufacturer that, like the future J.P. Industries, made products for the building and transportation industries. Because Masco was a growing, aggressive company, he says, he had the chance to be involved in everything, and after almost eight years with the company he was ready to step out on his own.

Psarouthakis incorporated J.P. Industries in September, 1977, with financial backing from several investors and a line of credit from a Detroit bank, and went looking for his first company to buy. It took him over a year to find one that fit his strategy, until finally a manufacturer of aluminum parts for trucks responded to his "acquisition wanted" ad in the *Wall Street Journal*.

Since that first acquisition in January, 1979, J.P. Industries has acquired 14 more struggling small companies. In all but two cases, Psarouthakis says, J.P. has turned those companies into money-makers—not by selling off their assets or otherwise dismantling them, but by changing how they operated.

Sometimes it seems that the changes J.P. makes—trimming back an overgrown number of product lines, introducing up-to-date technology—should have been obvious to the former owners, but that, Psarouthakis says, is because J.P. comes to the company with a more detached point of view.

Often, Psarouthakis says, J.P. can find ways to improve production by listening to the people on the plant floor; the acquired companies have been wasting employees' knowledge of their own jobs. "I recall very vividly," he says, "that when we bought our first company, one of their problems was that they had a very high-speed press, and it was pumping out a lot of product that didn't meet specs. The operator kept pushing the button, sending the product out. He realized what was happening, and we asked him, 'What is going on? Do you realize the product is not meeting specs?' He said yes. 'So why don't you stop the press?' He said, 'I'm not going to stop the press, I'd get fired.' His incentive was to produce, no matter what."

Psarouthakis has tried to institutionalize a more enlightened attitude toward his own company's employees. Last year, for instance, he wrote *Better Makes Us Best*, a 100-page paperback for employees. The gist of its message: Reaching straight for the top—the "best"—can breed failure and frustration; settling for doing a little better job each day can bring satisfaction and, ultimately, raise performance to the point that it is in fact "best."

"It's human to want to do better," Psarouthakis says. "Setting a goal is not all that difficult. Getting there is where the problem comes; and that is where the individual needs help. That's where management can be productive: to help individuals identify the needs they have, in terms of training, understanding, goal-setting."

"Better makes us best" could also describe the incremental approach to corporation-building that Psarouthakis has used with such success. He has sought out companies whose potential was not being realized, he has made them better—and in doing so, he has put J.P. Industries far along the road toward being some kind of "best." NB

COMMENTARY

Congressional Alert

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

Balanced-Budget Amendment

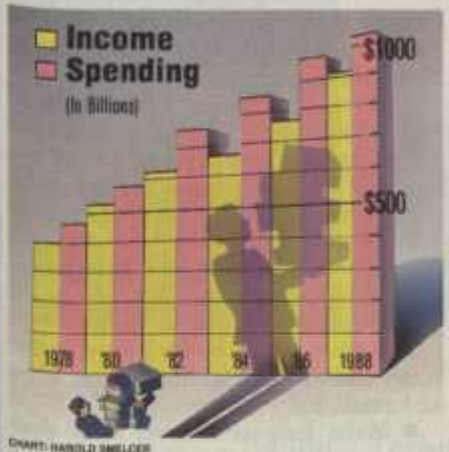


CHART: HAROLD SMELCER

"The current budget process is clearly unworkable and desperately needs a drastic overhaul," President Reagan stated in his latest budget proposal.

One of the most drastic reforms of the process would be a constitutional amendment requiring a balanced budget and limiting Congress' ability to raise new taxes.

Congress and the administration confront substantial barriers in limiting spending. The power of special interests is often too great to withstand. As a consequence, a radical restraint—a balanced-budget amendment to the Constitution—is needed to help Congress and the administration say no. Elected officials will find it easier to face special interests if the Constitution requires a balanced budget.

Such an amendment should require that passage of any bill to increase taxes could be achieved only with approval by a supermajority—such as two-thirds or some other minimum exceeding a simple majority—of all members of each house, not just of those present and voting. Without a tax-limitation provision, Congress would be tempted to balance the budget simply by raising taxes.

However, the deficit must be eliminated by reducing the level of federal spending, not by increasing taxes.

Though Congress has been slow to consider balanced-budget proposals, a Senate subcommittee recently approved a balanced-budget amendment.

Contact your senators and representatives to urge them to support a constitutional amendment requiring a balanced budget and restricting taxation.

Taxpayers' Rights



PHOTO: T. MICHAEL KEZA

American taxpayers need increased legal protections to restore balance between the authority of the Internal Revenue Service (IRS) and the rights of taxpayers. Voluntary tax compliance is the cornerstone of the U.S. tax system. But in recent years, federal revenue demands have encouraged the IRS to emphasize excessively the revenue-gathering aspects of its function, often at the expense of taxpayers, especially small-business owners.

The Omnibus Taxpayers' Bill of Rights Act would provide a wide range of due-process protections against IRS abuses. It would ensure that the tax-collection process is equitable and efficient, thereby boosting taxpayers' confidence in the process and encouraging voluntary compliance.

Specifically, the taxpayers' rights bill would give a taxpayer ombudsman authority to suspend clearly erroneous or unjustified IRS actions and require that audits be conducted at a reasonable time and place. In addition, it would require the IRS to provide more information to taxpayers about their rights and obligations.

Contact your senators and representatives to urge them to support the taxpayers' rights bill.

Product Liability



PHOTO: TED HOROWITZ—THE STOCK MARKET

Although the effort to achieve a uniform product-liability law has been long and arduous, a bill is finally working its way through the House of Representatives.

Product-liability laws, which vary substantially throughout the 50 states, have increased the prices of American goods, hurt America's international competitiveness and forced companies to close, with the resulting loss of jobs. To remain productive, American business needs uniformity and fairness in product-liability law.

The current House bill would establish a strict and uniform liability standard for manufacturers, define and limit the ways in which a product may be found to be defective, and set forth clear and fair rules on how and when manufacturers may be held liable. It also would set a 25-year limit on liability for capital goods such as machinery, and it would establish a two-year statute of limitations for claims.

Contact your representatives to urge them to support uniformity and fairness in product-liability law to relieve businesses of the burden of complying with 50 different state laws.

COMMENTARY

Editorial

"America must . . . strive to meet the new challenges of the international trading system."

A Formula For Improving America's Competitiveness In World Trade

To some Americans, the increase in foreign investment in the United States is not a good thing. That investment includes acquisition of all or parts of companies, establishment of manufacturing and sales facilities and heavy investments in private and public securities.

Americans worried by these developments see them as threatening their country's control of its own economy. They express fear that foreign interests will take over major segments of American business and achieve a powerful role in the overall economy.

Those concerns grow despite the reality of the so-called "foreign takeover." At the end of 1987, foreigners owned less than 6 percent of all U.S. assets. American holders of foreign assets earned $6 billion more from them last year than foreign investors earned from their assets in this country.

It must also be recognized that most foreign investment represents a return of the dollars that Americans sent abroad during the days of soaring trade deficits.

Those who view foreign investment as a threat to the U.S. economy are not operating from a base of objective economics but from a reluctance to accept the changes sweeping global trade as the 20th century nears its end. American ingenuity, technology and know-how enabled this country to dominate almost every major area of international trade for most of this century.

Other nations, many with substantial assistance from this country, have now become major trading powers or have the potential to do so. The principal challenge to America is not a relatively small influx of foreign investment but whether this nation can compete effectively against the many new, capable and hardworking other participants in international trade.

A particularly insightful commentary on this subject has been issued by a group that is very close to the issue—the Asia-Pacific Council of American Chambers of Commerce, which consists of 18 American Chambers of Commerce



PHOTO: JEFF LAWRENCE

representing a total of 6,500 businesses and 35,000 business people. In a "Letter to America," the council states:

"It is decision time for American business. If we are really serious about competing in the international trading arena, we must recognize that the global conditions are different from the 1960s and 1970s, and the rules have changed. Commitment to modify our business approaches to meet the challenge is required.

"Is America declining? Are we standing still while other nations leave us behind?

"It is unsettling to live in a world where America feels threatened, psychologically and economically, by other nations' advances. Americans must accept these new conditions. It is not that America has declined but that others are catching up. In this era of multinational companies, with growing trade and improved communications, the process was inevitable. America must change with the times and strive to meet the new challenges of the international trading system."

While many Americans view that system as one in which hordes of U.S. companies are anxious to compete but are kept out by unfair barriers erected by foreigners, APCAC points out that only 250 domestic companies now account for 85 percent of America's exports and only 15 percent of the U.S. trade deficit is attributable to trade barriers.

The answer, the council says, is for many more American businesses, large and small, to:

- Make long-term investment decisions to compete globally, rather than just domestically;
- Focus on providing quality products at the right price, study each individual market and tailor product specifications to match the specific requirements of those markets;
- Elevate market-share strategies to the same level of importance as profitability;
- Put pressure on appropriate federal officials to modify regulations that inhibit export success;
- Convince appropriate federal officials to enhance funding and staffing for the U.S. and Foreign Commercial Service, the Export-Import Bank and other institutions to enable them to offer U.S. exporters the levels of assistance that trading nations competing with America offer to their exporters;
- Develop overseas markets for the large and growing U.S. services sector;
- Give workers business education and foreign-language training.

"It is time," the council says, "to once again start dreaming of a better future, which means we must sacrifice something of ourselves to get there."

American exports have been increasing, as the fall in the value of the dollar lowers their prices in overseas markets. But if this country wants to remain a strong competitor in world trade for the long haul, the recommendations of the Asia-Pacific Council should be given serious attention. ■

"Our new Building Technologies Corporation gives you even more ways to build with confidence."



Armco STEELOX Building Systems



Atlantic Building Systems

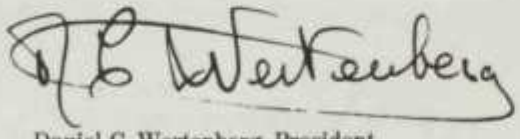


Molenco Building Components

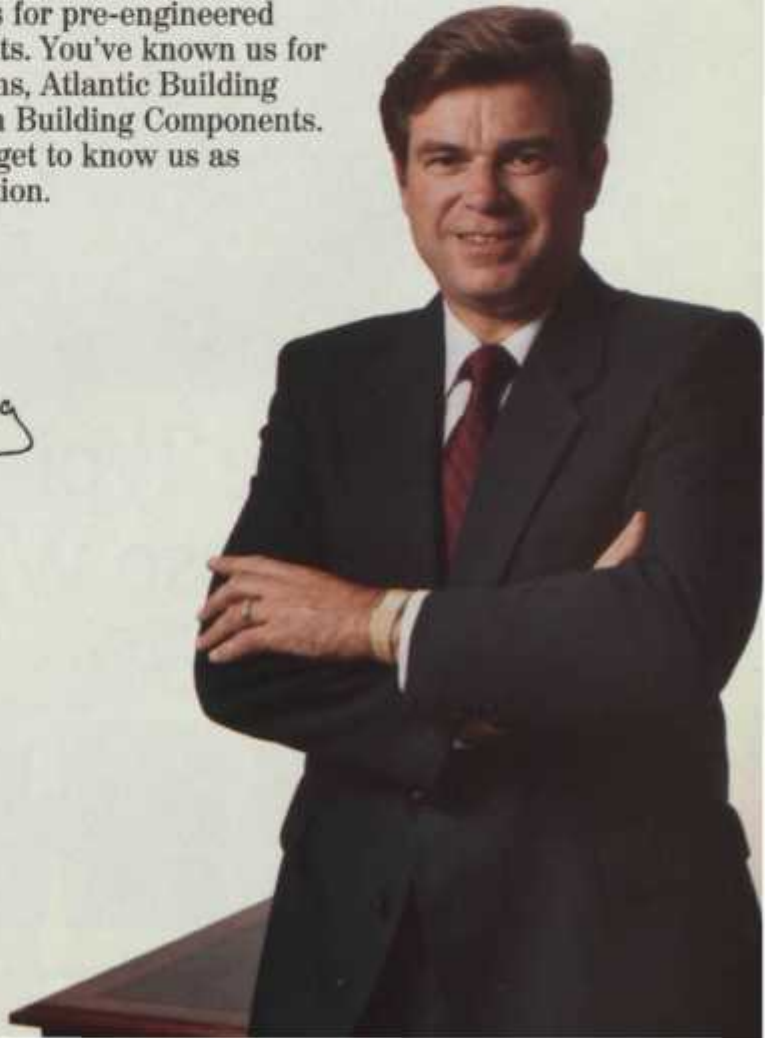


American Building Components

Building Technologies Corporation has grown to four key divisions to serve all your needs for pre-engineered building systems and components. You've known us for years as Armco Building Systems, Atlantic Building Systems, Molenco and American Building Components. Now look for our new logo and get to know us as Building Technologies Corporation.



Daniel C. Wertenberg, President



BUILDING TECHNOLOGIES CORPORATION

110 Boggs Lane
Suite 400
P.O. Box 465622
Cincinnati, Ohio 45246-5622
(513) 782-5000

Circle No. 47 on Reader Service Card.



The Typing System For Those Who Hate PCs

Try not to get carried away. You'll be tempted, of course. Especially after you see your work on the 9500's big screen and realize that every word, every character you typed appears exactly as you entered it—including subscripts and double underlining.

But then, this should come as no surprise. After all, we're not a computer company. We're Swintec, and we make typewriters. Which is why our 9500 uses an electronic typewriter for input—not some newfangled keyboard. Good news for those who've had to grapple with operations manuals just to produce a memo.



Call 1-800-225-0867. It's the civilized thing to do.

swintec
We Made It

320 West Commercial Avenue, P.O. Box 356, Monmachie, NJ 07074, 201-935-0115
SWINTEC Canada, Ltd., 15 West Pearce St., Unit #11, Richmond Hill, Ontario, Canada, L4B 1H6, 416-764-3030, 1-800-263-5869 (Canada Only)

Circle No. 51 on Reader Service Card.